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1983 LIFE INSURANCE FACT BOOK

A publication of the American Council of Life Insurance, serving the public as a central source of information about life insurance.

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FOREWORD

The Life Insurance Fact Book, now in its 38th year of publication, is presented annually as part of the life insurance business' continuing commitment to public accountability. As the principal source of statistics about the life insurance business, this text summarizes the year's developments with text, tables and charts, together with historical information.

The Fact Book reports on the United States business of all legal reserve life insurance companies operating in this country, and the total domestic and foreign business of U.S. life companies. Information on life insurance issued by fraternal benefit societies operating in the U.S. and Canada is included in various parts of the text and in statistical material on pages 100 and 101.

Some insurance companies, through parent corporations or by ownership of subsidiaries, engage in other financial services, such as mutual funds. While the Fact Book includes descriptive information on these services, the statistics reflect only insurance operations.

The Fact Book data are derived from annual statements provided by life insurance companies, and through surveys conducted by the Council. Assistance is also given by commercial publishers of life insurance statistics, government agencies and other life insurance organizations.

The constructive comments of many people over the years have helped the Fact Book to become established as a useful and reliable source of information about the life insurance business.

ROBERT N. CHIAPPETTA, A.S.A.
Director
Information, Reference and Statistical Services

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KEY LIFE INSURANCE STATISTICS

	1972	1981	1982	% Change 1981-80	% Change 1982-81
Life Insurance in Force in the United States (000,000 omitted)					
Ordinary	$ 853,911	$1,978,080	$2,216,388	12.4	12.0
Group	640,689	1,888,612	2,066,361	19.6	9.4
Industrial	39,975	34,547	32,766	- 4.0	- 5.2
Credit	93,410	162,356	161,144	- 1.7	- 0.7
Total	$1,627,985	$4,063,595	$4,476,659	14.8	10.2
Average Amounts of Life Insurance in Force in the United States					
Per Family	$ 22,900	$ 45,700	$ 49,300	10.1	7.9
Per Insured Family	$ 26,900	$ 53,200	$ 57,300	10.1	7.7
Life Insurance Purchases in the United States* (000,000 omitted)					
Ordinary	$ 145,479	$ 481,895	$ 585,444	25.0	21.5
Group	55,857	346,702**	250,532	89.0	-27.7
Industrial	7,394	2,517	1,898	-30.3	-24.6
Total	$ 208,730	$ 831,114**	$ 837,874	45.1	0.8
Benefit Payments in the United States (000,000 omitted)					
Payments to Beneficiaries	$ 8,007	$ 14,154	$ 15,066	9.9	6.4
Payments to Policyholders	7,939	17,309	20,114	15.7	16.2
Payments to Annuitants	2,628	12,021	12,814	17.9	6.6
Total	$ 18,574	$ 43,484	$ 47,994	14.3	10.4
Premium Receipts of U.S. Life Insurance Companies (000,000 omitted)					
Life Insurance	$ 24,678	$ 45,674	$ 49,464	11.9	8.3
Annuity Considerations	5,503	26,287	33,652	17.2	28.0
Health Insurance	14,318	31,683	34,960	7.9	10.3
Total	$ 44,499	$ 103,644	$ 118,076	11.9	13.9
Assets of U.S. Life Insurance Companies (000,000 omitted)					
Government Securities	$ 11,372	$ 39,502	$ 55,516	19.6	40.5
Corporate Bonds	86,140	193,806	212,772	7.9	9.8
Stocks	26,845	47,670	55,730	0.6	16.9
Mortgages	76,948	137,747	141,989	5.1	3.1
Real Estate	7,295	18,278	20,624	21.6	12.8
Policy Loans	18,003	48,706	52,961	17.6	8.7
Other Assets	13,127	40,094	48,571	26.5	21.1
Total	$ 239,730	$ 525,803	$ 588,163	9.7	11.9
Net Rate of Investment Income of U.S. Life Insurance Companies (Before Federal Income Taxes)					
Including Separate Accounts	5.56%	8.57%	8.91%	—	—
Excluding Separate Accounts	5.69%	8.53%	8.87%	—	—

Note: Some data are revised from previous editions.

*Data for 1972 exclude all credit life insurance. Data for 1981 and 1982 include credit life insurance on loans of more than 10 years' duration. Data for 1982 are preliminary.

**Data include $84.4 billion of Federal Employees' Group Life Insurance and $45.6 billion of Servicemen's Group Life Insurance.

Sources: American Council of Life Insurance and Life Insurance Marketing and Research Association.

LIFE INSURANCE IN 1982

The life insurance industry in 1982 continued to feel the effects of high interest rates and responded with new investment strategies and new insurance and pension products. Mortgage lending was cut back sharply and long-term investments favored corporate bonds, government securities and real estate.

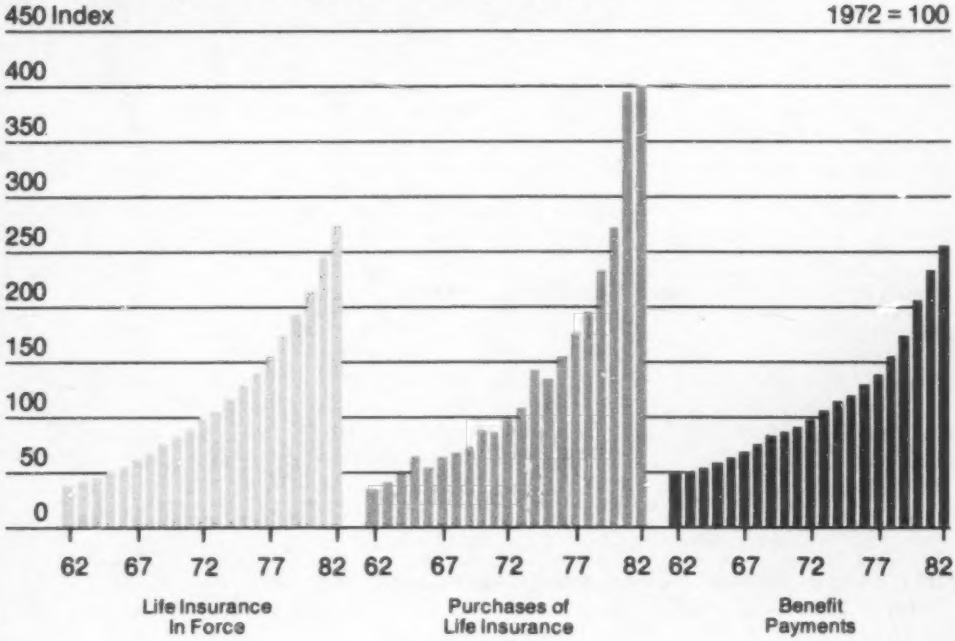
Both life insurance in force and life insurance purchases reached all-time highs. On the other hand, surrender payments and voluntary lapse rates also increased.

Purchases of new life insurance were $837.9 billion—a 0.8% increase over 1981. That there was only a slight increase was the result of a number of factors, including substantial new issues of Federal Employees' Group Life Insurance and Servicemen's Group Life Insurance in 1981. Excluding the 1981 FEGLI and SGLI issues, 1982 sales increased 19.5% over 1981. Life insurance in force reached $4,477 billion, bringing the average amount of life insurance per family to $49,300, $3,600 more than in 1981.

Life insurance issued by U.S. legal reserve life insurance companies was owned by 86% of American families; the average amount of life insurance owned by insured families was $57,300.

Two-thirds of all Americans owned some form of life insurance—most through legal reserve life insurance companies.

Relative Growth of Life Insurance In Force, Purchases of Life Insurance, And Benefit Payments In the United States 1962-1982



Purchases of ordinary life insurance in 1982 were more than $585.4 billion, a 21.5% increase over 1981. Although the volume of group insurance has been steadily increasing, ordinary life insurance still accounts for one-half of all life insurance in force.

While total premium receipts for all legal reserve life insurance companies increased 13.9%, to $118.1 billion, the largest percentage gain was in annuity considerations—up 28.0%.

Benefit payments—excluding health insurance—reached a record $48.0 billion, up 10.4%. Payments to beneficiaries in 1982 totaled $15.1 billion. Some $20.1 billion was paid to life insurance policyholders and $12.8 billion to annuitants.

Assets of U.S. life insurance companies totaled $588.2 billion at year-end 1982. This was an increase of $62.4 billion, or 11.9%, from 1981 year-end.

Policy loans in 1982 increased 8.7% over 1981, less than half the 1981 increase, and totaled $53.0 billion, or 9.0% of assets at year-end.

The largest percentage increase in investments, however, was in government securities, up 40.5% over year-end 1981.

The net rate of investment earnings (excluding separate accounts) went up from 8.53% to 8.87% before Federal taxes—an all-time high.

Other highlights of the life insurance business in 1982 include:

- Dollar volume of payments to beneficiaries increased 6.4% over 1981. The average size of death benefit payments went up 7.7%.
- Life insurance premiums continued to account for a decreasing percentage of premium income as the volume of annuity considerations and health insurance premiums increased. In 1982, 42% of premium income came from life insurance; 10 years earlier life insurance accounted for 55%.
- Policy reserves totaled $479.4 billion in 1982, 45% of which were life insurance reserves.
- Separate account assets totaled $57.3 billion at the end of 1982, a 29.9% increase over 1981. Bond holdings increased 34.6% in 1982 and now account for the largest proportion of holdings. Stock holdings increased 21.7%, to 36.0% of separate account holdings.

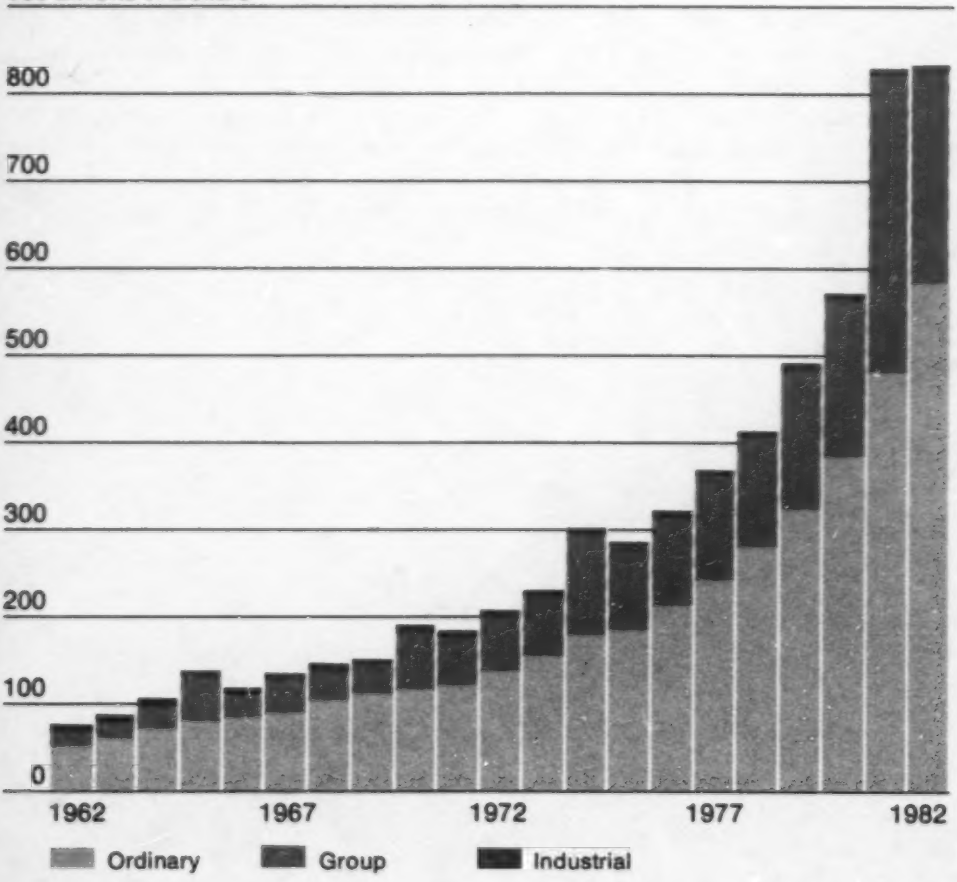
LIFE INSURANCE PURCHASES

Americans purchased $837.9 billion of new life insurance in 1982. During 1981, purchases totaled $831.1 billion, including $84.4 billion of Federal Employees' Group Life Insurance and $45.6 billion of Servicemen's Group Life Insurance.

People buy life insurance for many reasons, but mainly to provide financial protection for their families if they themselves should die prematurely. A person creates an estate, or adds to one, with a life insurance policy, and the future of that estate is protected as the policy is maintained over the years. Nearly three-fourths of new life insurance protection purchased in the United States in 1982 was bought on an individual basis—that is, by personal or family decision—usually through a life insurance agent. Purchases of ordinary life insurance increased in 1982, totaling $585.4 billion, an increase of 21.5% for the year. This follows an increase of 25.0% in 1981.

Purchases of industrial life insurance, the other type of individual coverage, came to $1.9 billion in 1982, a decrease of $619 million from 1981. Group purchases totaled $250.5 billion. This was $33.8 billion above the 1981 total when 1981 purchases of Federal Employees' Group Life Insurance and Servicemen's Group Life Insurance are excluded. Increases resulting from higher salaries or enlarged employee groups are not considered new purchases. Purchases in 1982 included $6.8 billion of new group coverage for employees' dependents.

Life Insurance Purchases in the United States



Purchases of Ordinary Life Insurance in the United States by State

Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired (000,000 omitted)

State	1976	1977	1978	1979	1980	1981	1982
Alabama	$ 3,946	$ 4,544	$ 5,162	$ 5,981	$ 7,014	$ 8,915	$ 10,731
Alaska	450	473	552	628	743	873	1,197
Arizona	2,319	2,772	3,445	4,294	4,852	6,423	8,297
Arkansas	1,629	1,993	2,185	2,597	3,045	3,956	5,475
California	22,517	26,905	31,329	37,573	44,750	58,558	72,400
Colorado	3,470	3,976	4,748	5,809	6,813	8,617	10,510
Connecticut	3,263	3,589	4,022	4,767	5,840	7,460	8,648
Delaware	570	642	714	833	1,108	1,200	1,561
D.C.	723	795	905	1,043	1,335	1,653	2,097
Florida	9,120	10,582	12,225	14,667	17,888	23,084	28,238
Georgia	6,141	7,039	8,202	9,497	11,248	13,813	17,180
Hawaii	1,190	1,280	1,465	1,774	2,084	2,465	2,982
Idaho	890	1,067	1,294	1,401	1,680	2,188	2,636
Illinois	12,389	14,145	15,684	17,856	19,473	23,397	27,171
Indiana	5,333	6,218	6,956	7,914	8,513	10,565	12,611
Iowa	3,132	3,750	4,281	4,711	5,149	6,301	7,553
Kansas	2,717	3,212	3,530	4,043	4,486	5,798	6,938
Kentucky	2,864	3,300	3,707	4,287	4,763	5,694	7,213
Louisiana	4,046	5,020	6,082	7,072	8,888	11,448	14,266
Maine	820	923	1,025	1,126	1,343	1,582	1,875
Maryland	4,298	4,773	5,295	5,984	7,068	8,936	10,320
Massachusetts	4,953	5,473	6,071	7,360	8,287	10,427	11,845
Michigan	7,126	8,318	9,245	10,422	11,044	13,415	15,698
Minnesota	3,697	4,362	5,032	5,995	6,757	8,512	10,674
Mississippi	1,755	2,217	2,643	3,055	3,664	4,669	5,981
Missouri	4,620	5,311	6,061	6,784	7,641	9,634	11,674
Montana	724	899	1,019	1,119	1,302	1,557	2,011
Nebraska	1,817	2,191	2,525	2,938	3,309	4,183	5,116
Nevada	586	774	894	1,145	1,322	1,677	2,139
New Hampshire	842	1,017	1,121	1,335	1,522	1,778	2,037
New Jersey	7,771	8,605	9,471	10,909	12,853	14,912	17,495
New Mexico	1,038	1,281	1,514	1,848	2,112	2,667	3,354
New York	15,449	16,827	18,452	20,630	24,952	30,687	34,351
North Carolina	5,464	6,280	7,183	8,156	9,484	11,979	14,655
North Dakota	719	905	1,032	1,204	1,446	1,845	2,598
Ohio	10,531	11,826	13,537	15,420	17,188	20,618	25,082
Oklahoma	2,791	3,535	4,123	4,728	5,176	7,872	9,627
Oregon	1,981	2,503	2,940	3,419	3,932	5,113	6,505
Pennsylvania	10,302	11,669	13,125	14,793	16,761	19,533	22,599
Rhode Island	970	1,014	1,101	1,370	1,693	2,111	2,228
South Carolina	2,840	3,249	3,793	4,474	5,456	6,712	8,605
South Dakota	753	852	1,018	1,178	1,331	1,665	2,375
Tennessee	4,436	5,140	5,899	6,744	7,863	9,610	12,631
Texas	14,823	17,135	20,356	24,873	31,362	40,493	50,176
Utah	1,479	1,871	2,238	2,722	3,226	4,407	6,260
Vermont	414	458	524	593	693	796	968
Virginia	4,984	6,199	7,119	8,254	9,578	11,823	14,258
Washington	3,376	4,074	4,684	5,646	6,616	8,688	11,282
West Virginia	1,325	1,536	1,714	1,946	2,142	2,432	2,652
Wisconsin	3,955	4,524	5,198	5,892	6,885	8,069	9,412
Wyoming	436	510	622	762	895	1,085	1,257
Total U.S.	$213,784	$247,453	$283,067	$329,571	$385,575	$481,895	$585,444

Note: The series includes mass-marketed ordinary insurance. Data include long-term individual credit insurance. Data for 1981 are revised and data for 1982 are preliminary.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Life Insurance Purchases in the United States

Exclusive of Revivals, Increases, Dividend Additions and Reinsurance Acquired

	Ordinary		Group		Industrial		Total	
Year	Policies (000 omitted)	Amount (000,000 omitted)	Certificates (000 omitted)	Amount (000,000 omitted)	Policies (000 omitted)	Amount (000,000 omitted)	Number (000 omitted)	Amount (000,000 omitted)
1940	3,855	$ 6,689	285	$ 691	14,017	$3,350	18,157	$ 10,730
1945	4,343	9,859	681	1,265	11,869	3,430	16,893	14,554
1950	5,279	17,326	2,631	6,068	14,924	5,402	22,834	28,796
1955	7,572	30,827	2,217	11,258*	14,356	6,342	24,145	48,427*
1960	8,734	52,883	3,734	14,645	12,287	6,880	24,755	74,408
1965	9,937	83,485	7,007	51,385†	10,492	7,296	27,436	142,166†
1966	10,131	88,693	4,055	26,219	9,764	7,078	23,950	121,990
1967	10,192	94,694	4,353	39,118*	9,404	7,056	23,949	140,868*
1968	10,461	103,944	4,875	39,877*	8,417	6,674	23,753	150,495*
1969	10,588	113,500	5,156	39,329	7,916	6,454	23,660	159,283
1970	10,968	122,820	5,219	63,690†	7,582	6,612	23,769	193,122†
1971	11,281	132,130	5,403	49,407	8,326	7,274	25,010	188,811
1972	11,844	145,479	6,698	55,857	8,123	7,394	26,665	208,730
1973	12,198	162,506	7,065	64,461	7,506	7,224	26,769	234,191
1974	12,763	182,755	7,994	111,622†	6,747	6,680	27,504	301,057†
1975	12,549	188,003	8,146	95,190†	6,397	6,729	27,092	289,922†
1976	13,219	213,784	9,145	104,683	5,962	6,382	28,326	324,849
1977	13,679	247,453	9,599	115,839	5,859	6,504	29,137	369,796
1978	13,987	283,067	9,267	125,129	5,445	6,015	28,699	414,211
1979	14,259	329,571	9,245	157,906	4,457	5,335	27,961	492,812
1980	14,750	385,575	11,379	183,418	2,878	3,609	29,007	572,602
1981	15,838	481,895	11,923	346,702*†	1,791	2,517	29,552	831,114*†
1982	15,614	585,444	11,930	250,532	1,350	1,898	28,894	837,874

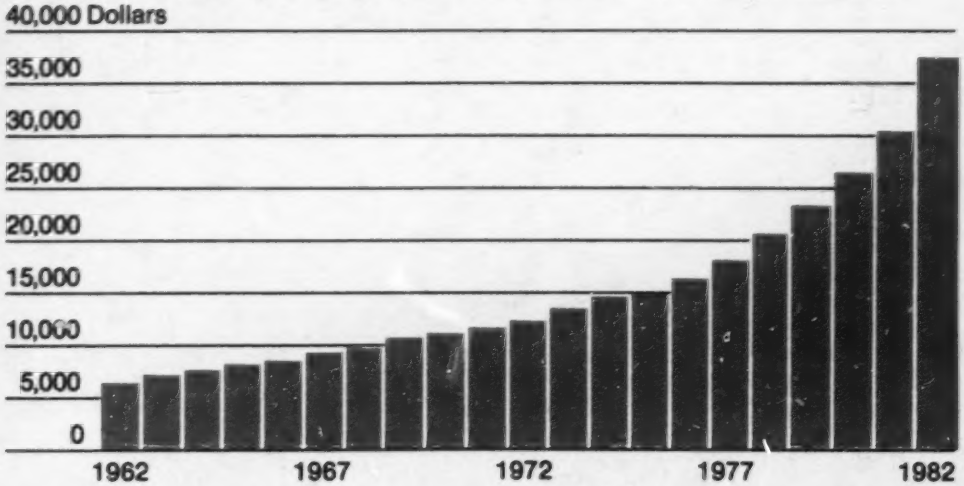
Note: Figures from 1940-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than 10 years' duration). Data for 1981 are revised and data for 1982 are preliminary.

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.3 billion in 1967, $3.4 billion in 1968, and $84.4 billion in 1981.

†Includes Servicemen's Group Life Insurance of $27.8 billion in 1965, $17.1 billion in 1970, $29.2 billion in 1974, $1.7 billion in 1975 and $45.6 billion in 1981.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Average Size Ordinary Life Insurance Policy Purchased in the United States



Analysis of Ordinary Life Insurance Purchases in the United States

	% of Policies		% of Amount	
	1971	1981	1971	1981
SEX OF INSURED				
Male Insureds Under 15	9	8	3	3
Female Insureds Under 15	7	7	2	2
Male Adults	60	52	83	74
Female Adults	24	33	12	21
Total	100	100	100	100
AGE OF INSURED				
Under 15	16	14	5	5
15-24	33	22	28	15
25-34	25	32	36	40
35-44	14	17	20	27
45 or Over	12	15	11	13
Total	100	100	100	100
INCOME OF INSURED*				
Under $5,000	12	†	6	†
$5,000-$7,499	31	5	19	2
$7,500-$9,999	25	8	21	3
$10,000-$24,999	27	60	38	43
$25,000 or Over	5	27	16	52
Total	100	100	100	100
SIZE OF POLICY				
Under $2,000	13	4	1	†
$2,000-$4,999	16	7	3	1
$5,000-$9,999	21	14	10	2
$10,000-$24,999	36	30	37	12
$25,000 or Over	14	45	49	85
Total	100	100	100	100
TYPE OF POLICY				
Straight Life	32	39	27	24
Limited Payment Life	19	13	9	4
Endowment	6	1	3	†
Retirement Income	3	1	2	1
Modified Life	4	6	4	5
Modified Term	††	2	††	9
Level or Decreasing Term	11	21	22	39
Family Plan	4	1	3	†
with Additional Term	3	†	5	†
Regular Policy with F/P Rider	4	6	5	6
and Additional Term	2	1	4	3
Combination	10	8	13	8
Progressive and Other	2	1	3	1
Total	100	100	100	100
MODE OF PREMIUM PAYMENT				
Annual	18	17	25	26
Semiannual	6	5	6	7
Quarterly	12	10	13	11
Monthly Debit‡	22	22	9	5
Bank Plan**	17	31	21	35
Other Monthly	20	10	21	11
Salary Savings	5	5	5	5
Total	100	100	100	100

Note: Figures exclude credit life insurance.

*Ages 0-14 and persons reporting less than $3,000 income are excluded.

†Less than .5%.

††Not available separately. Included in other policy types in 1971.

‡Includes a small amount of weekly premium ordinary.

**Most common frequency is monthly.

Source: Life Insurance Marketing and Research Association.

Of the 28.9 million new life insurance policies and certificates purchased during the year, 15.6 million were ordinary policies, 1.4 million were industrial policies and 11.9 million were group certificates.

The average size of the ordinary policies being bought continues to increase. In 1972, for example, the average new ordinary policy was $12,280; by 1977, the amount had increased to $18,090; in 1981, to $30,430; and in 1982, to $37,490.

A sample survey of ordinary life insurance purchased by Americans in 1981, the latest year for which data are available, showed that 55% of all new policies were for people between the ages of 15 and 34. An analysis of the volume of ordinary life insurance purchased over a ten-year period—1971 to 1981—showed a continuing shift towards term insurance. Term amounted to 41% of the volume purchased in 1971, and 59% in 1981. However, permanent (cash value) insurance continues to be the type of ordinary most commonly purchased, either alone or in combination with some term insurance. When measured by numbers of policies purchased, permanent insurance was included in 77% of all ordinary policies sold.

More women are buying life insurance, and the 1981 sample survey reflects the increased proportion of policies and amounts purchased on adult female lives. The ratio of men to women buyers, when measured by policies purchased, was 60 to 24 in 1971 compared with 52 to 33 in 1981. Measured by amounts, the ratios of men to women were 83 to 12 in 1971 and 74 to 21 in 1981.

The average size policy purchased on women's lives has been increasing at a faster rate than that on men. According to the survey, the average size ordinary policy for women increased by 205% between 1971 and 1981, and increased by 154% for men.

Distribution of Ordinary Life Insurance Purchases In the United States by Plan of Insurance

	Percent of Amount				Percent of Policies*			
Year	Whole Life	Other Permanent**	Term	Total	Whole Life	Other Permanent**	Term	Total
1955	57%	9%	34%	100%	72%	22%	6%	100%
1960	54	5	41	100	77	14	9	100
1965	53	6	41	100	79	11	10	100
1970	54	5	41	100	82	8	10	100
1971	54	5	41	100	81	9	10	100
1972	53	6	41	100	79	9	12	100
1973	51	6	43	100	79	9	12	100
1974	49	5	46	100	79	7	14	100
1975	48	7	45	100	77	8	15	100
1976	47	5	48	100	76	7	17	100
1977	47	3	50	100	77	7	16	100
1978	45	3	52	100	75	6	19	100
1979	45	2	53	100	76	4	20	100
1980	42	1	57	100	75	3	22	100
1981	40	1	59	100	75	2	23	100

*Policies that include both permanent and term insurance are classified as whole life policies.

**Includes endowment and retirement income policies.

Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Life Insurance Purchases In U.S. Life Insurance Companies

Exclusive of Revivals, Increases and Dividend Additions (000,000 omitted)

Year	Ordinary	Group	Industrial	Total
1921	$ 6,248	$ 128	$1,581	$ 7,957
1925	10,060	1,075	3,143	14,278
1930	11,905	1,381	3,979	17,265
1935	7,550	715	4,033	12,298
1940	7,022	747	3,318	11,087
1945	10,577	1,302	3,512	15,391
1950	18,260	6,237	5,492	29,989
1955	32,207	11,637*	6,399	50,243*
1960	56,183	15,328	6,906	78,417
1965	89,643	52,867†	7,302	149,812†
1966	95,987	27,589	7,083	130,659
1967	103,823	43,195*	7,052	154,070*
1968	112,820	42,596*	6,675	162,091*
1969	124,124	42,192	6,495	172,811
1970	134,802	65,381†	6,612	206,795†
1971	145,496	55,432	7,651	208,579
1972	159,063	61,920	7,394	228,377
1973	175,629	67,703	7,224	250,556
1974	198,981	117,790†	6,680	323,451†
1975	207,052	102,659†	6,741	316,452†
1976	233,583	112,232	6,382	352,197
1977	277,310	123,844	6,504	407,658
1978	304,136	127,735	6,015	437,886
1979	359,147	162,343	5,335	526,825
1980	461,553	189,558	3,609	654,720
1981	700,125	435,982*†	2,517	1,138,624*†
1982	661,061	256,920	1,898	919,879

Note: Data for 1981 are revised. Data for 1982 are preliminary. Totals represent all life insurance issued by U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or some other country. Figures from 1921-1973 exclude all credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than 10 years' duration).

*Includes Federal Employees' Group Life Insurance of $1.9 billion in 1955, $8.2 billion in 1967, $3.4 billion in 1968 and $81.5 billion in 1981.

†Includes Servicemen's Group Life Insurance of $27.4 billion in 1965, $16.8 billion in 1970, $28.8 billion in 1974, $1.7 billion in 1975 and $44.5 billion in 1981.

Sources: *Spectator Year Book*, American Council of Life Insurance and Life Insurance Marketing and Research Association.

LIFE INSURANCE OWNERSHIP

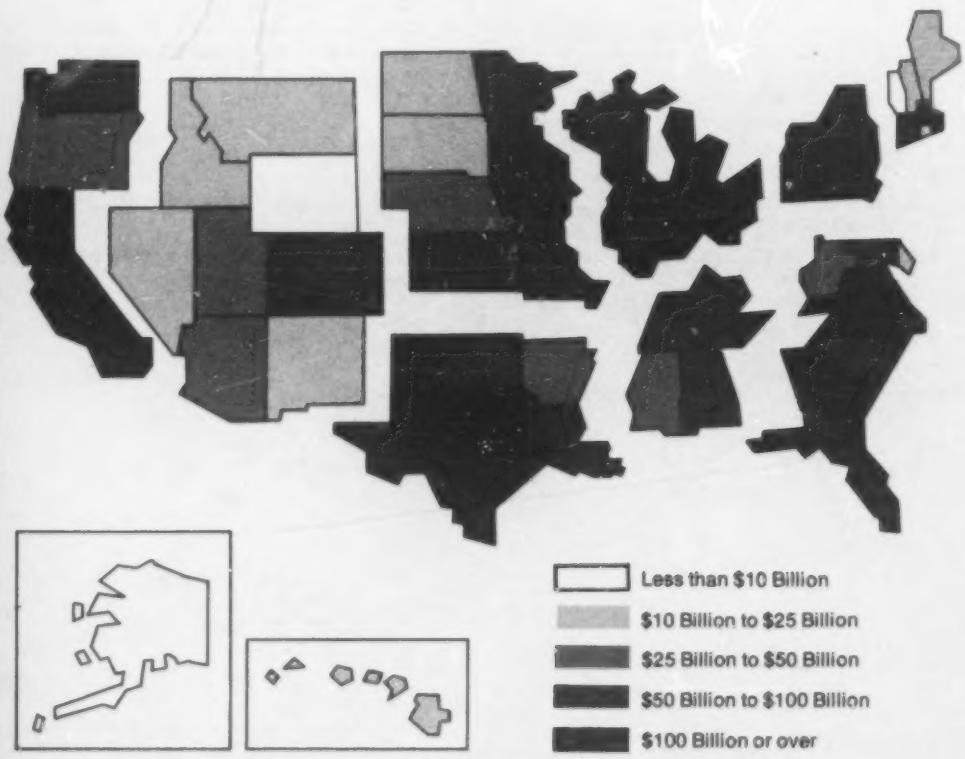
Life insurance in force in the United States reached a new high of $4,476.7 billion at the end of 1982, an increase of $413.1 billion, or 10.2%, over year-end 1981.

If this were divided equally among all American families, each would have had $49,300 of protection at year-end. Excluding families without life insurance, the average for insured families was about $57,300. Despite significant increases in the amount of coverage, protection for all families was equal to only 25 months of total disposable personal income per family at the end of 1982.

Some 150 million policyholders, or 2 out of 3 persons in the country, were insured by legal reserve life insurance companies at the end of 1982.

The East North Central section of the country had the largest amount of coverage, with $840.6 billion of life insurance in force there at year-end 1982. The Middle Atlantic followed with $733.8 billion. By state, California had the largest total, $458.0 billion, and New York ranked second with $341.7 billion. The District of Columbia exceeded all other states in ownership per family with an average of $106,700 of insurance per family; Delaware was in second place with $69,700 per family.

Life Insurance In Force In the United States by State 1982



Life Insurance In Force in the United States (000,000 omitted)

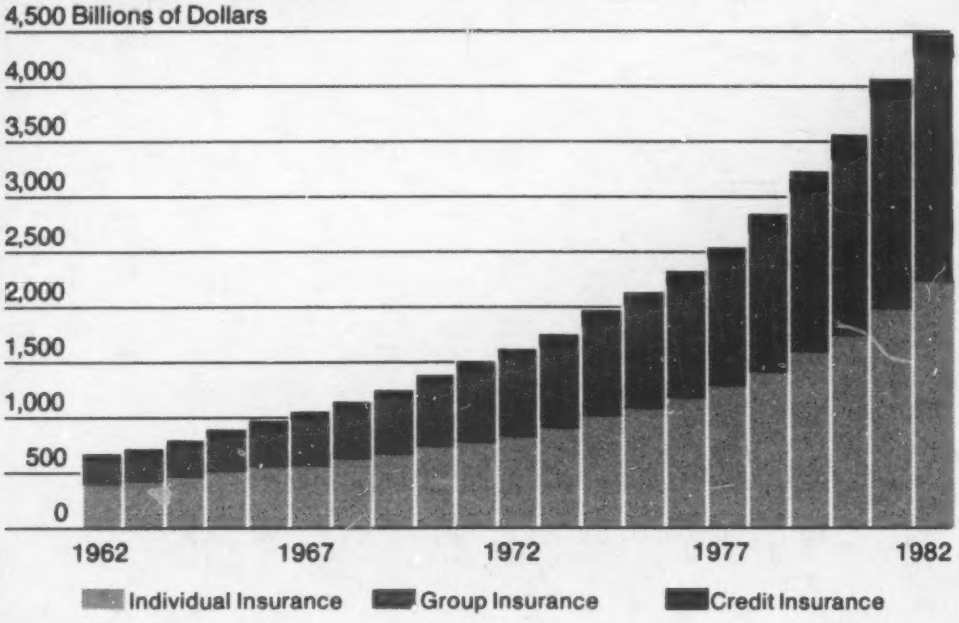
Year	Ordinary		Group		Industrial		Credit		Total	
	No.	Amt.	Cert.	Amt.	No.	Amt.	No.†	Amt.	No.	Amt.
1900	3	$ 6,124	—	—	11	$ 1,449	—	—	14	$ 7,573
1905	5	9,585	—	—	17	2,278	—	—	22	11,863
1910	6	11,783	—	—	23	3,125	—	—	29	14,908
1915	9	16,650	*	$ 100	32	4,279	—	—	41	21,029
1920	16	32,018	2	1,570	48	6,948	*	$ 4	66	40,540
1925	23	52,892	3	4,247	71	12,318	*	18	97	69,475
1930	32	78,576	6	9,801	86	17,963	*	73	124	106,413
1935	33	70,684	6	10,208	81	17,471	1	101	121	98,464
1936	33	72,361	7	11,291	83	18,863	1	138	124	102,653
1937	34	74,836	7	12,638	85	20,104	1	216	127	107,794
1938	35	75,772	7	12,503	85	20,396	2	256	129	108,927
1939	36	77,121	8	13,641	85	20,500	2	307	131	111,569
1940	37	79,346	9	14,938	85	20,866	3	380	134	115,530
1941	39	82,525	10	17,359	87	21,825	3	469	139	122,178
1942	41	85,139	11	19,316	90	22,911	2	355	144	127,721
1943	43	89,596	13	22,413	94	24,874	2	275	152	137,158
1944	46	95,085	13	23,922	98	26,474	2	290	159	145,771
1945	48	101,550	12	22,172	101	27,675	2	365	163	151,762
1946	53	112,818	13	27,206	104	29,313	3	729	173	170,066
1947	56	122,393	16	32,026	106	30,406	5	1,210	183	186,035
1948	58	131,158	16	37,068	106	31,253	6	1,729	186	201,208
1949	61	138,862	17	40,207	107	32,087	8	2,516	193	213,672
1950	64	149,116	19	47,793	108	33,415	11	3,844	202	234,168
1951	67	159,109	21	54,398	109	34,870	12	4,763	209	253,140
1952	70	170,875	24	62,913	111	36,448	14	6,355	219	276,591
1953	73	185,007	26	72,913	112	37,781	18	8,558	229	304,259
1954	76	198,599	29	86,410	111	38,664	21	10,046	237	333,719
1955	80	216,812	32	101,345	112	39,682	28	14,493	252	372,332
1956	83	238,348	35	117,399	110	40,109	32	16,774	260	412,630
1957	87	264,949	37	133,905	108	40,139	34	19,366	266	458,359
1958	89	288,607	39	144,772	104	39,646	35	20,536	267	493,561
1959	93	317,158	41	160,163	102	39,809	38	24,998	274	542,128
1960	95	341,891	44	175,903	100	39,563	43	29,101	282	586,448
1961	97	366,141	46	192,794	98	39,451	45	31,107	286	629,493
1962	99	391,048	49	209,950	95	39,638	47	35,341	290	675,977
1963	102	420,808	51	229,477	93	39,672	52	40,666	298	730,623
1964	104	457,868	55	253,620	92	39,833	58	46,487	309	797,808
1965	107	499,638	61	308,078	89	39,818	63	53,020	320	900,554
1966	109	541,022	65	345,945	88	39,663	69	58,059	331	984,689
1967	113	584,570	69	394,501	84	39,215	70	61,535	336	1,079,821
1968	116	633,392	73	442,778	81	38,827	75	68,357	345	1,183,354
1969	118	682,453	76	488,864	79	38,614	78	74,598	351	1,284,529
1970	120	734,730	80	551,357	77	38,644	78	77,392	355	1,402,123
1971	123	792,318	82	589,883	76	39,202	76	81,931	357	1,503,334
1972	126	853,911	85	640,689	76	39,975	78	93,410	365	1,627,985
1973	128	928,192	88	708,322	75	40,632	78	101,154	369	1,778,300
1974	131	1,009,038	94	827,018	71	39,441	84	109,623	380	1,985,120
1975	134	1,083,421	96	904,695	70	39,423	80	112,032	380	2,139,571
1976	137	1,177,672	100	1,002,647	67	39,175	78	123,569	382	2,343,063
1977	139	1,289,321	106	1,115,047	66	39,045	79	139,402	390	2,582,815
1978	142	1,425,095	111	1,243,994	64	38,080	84	163,081	401	2,870,250
1979	146	1,585,878	115	1,419,418	62	37,794	84	179,250	407	3,222,340
1980	148	1,760,474	118	1,579,355	58	35,994	78	165,215	402	3,541,038
1981	149	1,978,080	123	1,888,612	55	34,547	73	162,356	400	4,063,595
1982	146	2,216,388	124	2,066,361	52	32,766	67	161,144	389	4,476,659

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Beginning with 1959, the data include Alaska and Hawaii.

*Fewer than 500,000. †Includes group credit certificates.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Growth of Individual, Group and Credit Life Insurance In Force in the United States



The principal type of life insurance protection for Americans continues to be ordinary life insurance, purchased individually to meet individual needs. Ordinary insurance in force at the end of 1982 totaled $2,216.4 billion, 49.5% of all life insurance in force in the United States. The number of ordinary policies in force has nearly doubled in the past 25 years, while the average size policy in force is nearly five times as large.

Group life insurance provided $2,066.4 billion of protection at the end of 1982, an increase of $177.7 billion during the year. Most group life insurance contracts are issued to employers, though many are issued to unions, professional associations and other groups. Employees or members receive certificates to denote their participation in the group coverage. Growth of this type of protection has been significant. In 1952, group insurance accounted for 22.7% of all insurance in force and by 1982, the ratio had reached 46.2%.

Industrial life insurance is the type which is issued in small amounts, usually with premiums collected weekly or monthly at the policyholder's home. Industrial life decreased slightly to a total of $32.8 billion in force at year-end 1982.

Credit life is another type of life insurance, designed to pay the balance of loans (of 10 years' or less duration) if the borrower should die before repaying the amount due. A total of $161.1 billion of credit life insurance was in force at year-end 1982.

Life Insurance in Force in the United States by State 1982

(Thousands of Policies and Millions of Dollars)

State	Ordinary		Group		Industrial		Credit		Total	
	No.	Amount	Cert.	Amount	No.	Amount	No.*	Amount	No.	Amount
Alabama	2,430	$ 35,934	1,882	$ 28,781	6,097	$ 2,431	1,446	$ 3,380	11,855	$ 70,526
Alaska	151	4,313	344	5,401	9	3	166	262	670	9,979
Arizona	1,348	26,879	1,514	19,278	161	119	949	2,246	3,972	48,522
Arkansas	1,044	16,876	796	12,439	339	186	464	1,295	2,643	30,796
California	10,715	233,517	12,399	212,409	1,556	1,142	4,975	10,953	29,645	458,021
Colorado	1,821	36,952	1,897	30,488	220	153	900	2,455	4,838	70,048
Connecticut	2,275	35,906	2,405	40,087	211	194	849	1,857	5,740	78,044
Delaware	486	6,253	425	9,056	180	127	351	875	1,442	16,311
D.C.	413	6,408	1,342	26,156	521	315	273	413	2,549	33,292
Florida	6,093	94,858	4,095	65,441	2,994	2,020	3,156	7,107	16,338	169,426
Georgia	4,065	57,645	2,810	47,692	3,214	2,008	2,321	4,730	12,410	112,075
Hawaii	623	12,810	848	9,963	4	2	358	938	1,833	23,713
Idaho	506	8,841	550	6,105	21	14	294	894	1,371	15,854
Illinois	8,957	122,154	7,047	116,108	2,411	1,767	2,699	6,638	21,114	246,667
Indiana	4,091	51,695	2,847	47,947	1,288	872	1,550	3,947	9,776	104,461
Iowa	2,541	34,234	1,461	23,265	182	119	671	2,025	4,855	59,643
Kansas	1,944	29,098	1,293	19,120	257	165	665	1,780	4,159	50,163
Kentucky	2,404	27,374	1,539	24,705	1,130	630	1,046	2,561	6,119	55,270
Louisiana	2,476	45,901	2,175	32,445	3,618	2,204	1,799	4,196	10,068	84,746
Maine	701	8,469	676	7,499	57	47	328	729	1,762	16,744
Maryland	2,997	43,092	2,212	41,934	1,527	921	1,059	2,626	7,795	88,573
Massachusetts	3,749	51,057	2,854	55,769	551	425	1,318	2,748	8,472	109,999
Michigan	5,308	70,677	6,210	109,778	1,515	1,036	3,258	6,188	16,291	187,679
Minnesota	2,497	41,897	2,969	44,795	192	139	938	2,663	6,596	89,494
Mississippi	1,057	18,991	1,057	14,972	606	356	1,171	2,316	3,891	36,635
Missouri	3,728	46,462	2,777	45,424	966	632	1,227	3,074	8,698	95,592
Montana	436	7,695	446	4,903	20	12	228	634	1,130	13,244
Nebraska	1,398	21,156	811	12,405	97	62	462	1,268	2,768	34,891
Nevada	310	7,055	533	7,560	8	6	648	2,708	1,499	17,329
New Hampshire	691	9,274	530	8,009	71	61	309	794	1,601	18,138
New Jersey	5,137	76,689	4,064	86,672	1,158	1,049	1,353	3,711	11,712	168,121
New Mexico	644	11,170	616	10,142	71	46	419	1,128	1,750	22,486
New York	10,496	155,506	8,568	173,949	1,455	1,177	4,678	11,068	25,197	341,700
North Carolina	4,491	53,559	2,843	45,256	2,709	1,447	2,448	4,792	12,491	105,054
North Dakota	465	8,379	378	5,346	3	3	212	829	1,058	14,557
Ohio	8,018	105,587	5,900	100,095	2,532	1,778	2,619	7,304	19,069	214,764
Oklahoma	1,803	32,956	1,429	23,902	316	194	1,561	3,756	5,109	60,808
Oregon	1,153	21,848	1,363	22,038	66	45	556	1,500	3,138	45,431
Pennsylvania	9,692	108,996	6,144	103,791	3,516	2,477	3,316	8,672	22,668	223,936
Rhode Island	759	9,689	758	8,837	122	91	299	568	1,938	19,185
South Carolina	2,682	27,974	1,714	22,852	2,096	1,263	1,167	2,545	7,659	54,634
South Dakota	519	7,976	298	4,108	4	3	175	574	996	12,661
Tennessee	2,912	41,154	2,836	40,132	1,967	1,105	1,603	3,925	9,318	86,316
Texas	9,100	167,524	7,894	131,761	2,891	1,846	5,285	13,636	25,170	314,767
Utah	674	15,078	956	9,998	72	40	436	1,243	2,148	26,359
Vermont	356	4,591	239	3,529	26	22	145	368	766	8,510
Virginia	3,567	52,164	2,945	53,103	2,144	1,310	1,876	4,624	10,532	111,201
Washington	1,917	37,840	2,349	35,067	129	81	933	2,076	5,328	75,064
West Virginia	1,111	12,649	916	14,187	500	330	722	1,540	3,249	28,706
Wisconsin	3,320	46,383	3,062	37,779	372	288	938	2,597	7,692	87,047
Wyoming	276	5,203	253	3,883	4	3	139	388	672	9,477
Total U.S.	146,347	$2,216,388	124,279	$2,066,361	52,176	$32,766	66,758	$161,144	389,560	$4,476,659

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

*Includes group credit certificates.

Source: American Council of Life Insurance.

Life Insurance In Force in the United States by Type and Geographic Division 1982 (000,000 omitted)

Division	Ordinary	Group	Industrial	Credit	Total
New England	$ 118,986	$ 123,730	$ 840	$ 7,064	$ 250,620
Middle Atlantic	341,191	364,412	4,703	23,451	733,757
East North Central	396,496	411,707	5,741	26,674	840,618
West North Central	189,202	154,463	1,123	12,213	357,001
South Atlantic	354,602	325,677	9,741	29,252	719,272
East South Central	123,453	108,590	4,522	12,182	248,747
West South Central	263,257	200,547	4,430	22,883	491,117
Mountain	118,873	92,357	393	11,696	223,319
Pacific	310,328	284,878	1,273	15,729	612,208
United States	$2,216,388	$2,066,361	$32,766	$161,144	$4,476,659

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

Source: American Council of Life Insurance.

A study of U.S. legal reserve life insurance companies found that the six largest companies, each with assets of $10 billion or more as of 1980, represented 36.1% of the life insurance in force at the end of 1981 and 25.2% of the ordinary life insurance in force. Companies with asset rankings from $1 billion to $9 billion as of 1980 accounted for 23.2% of the total life insurance in force and 26.5% of the ordinary in force in 1981.

Participating insurance accounted for $2,742.4 billion, or 50.2%, of all life insurance in force with U.S. companies at the end of 1982. With this type of life insurance a policyholder receives, in the form of annual dividends, the portion of the premium that is not needed by the company for death payments to beneficiaries, additions to reserves or administrative expenses. The remaining $2,717.6 billion, or 49.8%, of life insurance in force was nonparticipating, which has generally lower premium rates but does not provide for policy dividends. Participating life insurance accounted for 44.5% and nonparticipating, 55.5% of total ordinary insurance in force in U.S. companies.

Mutual life insurance companies, which have no stockholders and whose boards of directors are elected by their policyholders, provided $2,331.5 billion, or 42.7%, of total life insurance in force with U.S. life companies at the end of 1982. Stock life insurance companies, which are owned by their stockholders, accounted for $3,128.5 billion, or 57.3%, of total life insurance in force at the end of 1982. In general, mutual companies sell participating insurance, and stock companies sell nonparticipating insurance. Mutual companies accounted for 50.7% of total group life. Stock life companies provided 70.5% of the total industrial life insurance in force, and they also accounted for 75.1% of credit life in force.

Life Insurance In Force in the United States by Plan

Plan of Insurance	1977 Number of Policies* (000 omitted)	1977 Amount (000,000 omitted)	1977 % of Amount	1981 Number of Policies* (000 omitted)	1981 Amount (000,000 omitted)	1981 % of Amount
ORDINARY						
Whole Life						
Straight Life, Premium Paying	60,300	$ 616,900	47.8	68,600	$934,100	47.2
Limited Payment Life, Premium Paying	28,300	123,500	9.6	25,400	152,200	7.7
Paid-Up	20,200	45,200	3.5	22,900	61,500	3.1
Endowment	11,900	52,200	4.1	9,100	52,000	2.6
Retirement Income With Insurance	2,400	21,700	1.7	1,800	18,200	0.9
Term						
Extended	5,600	20,700	1.6	6,900	30,900	1.6
Regular						
Decreasing	6,100	114,800	8.9	6,600	153,700	7.8
Other	4,700	147,400	11.4	7,300	401,000	20.3
Other						
Decreasing	—	79,600	6.2	—	87,600	4.4
Other	—	67,300	5.2	—	86,900	4.4
Total Ordinary	139,500	$1,289,300	100.0	148,600	$1,978,100	100.0
GROUP						
Term						
Decreasing	2,000	$ 35,600	3.2	2,300	$ 54,500	2.9
Other	102,000	1,071,800	96.1	118,600	1,824,900	96.6
Permanent						
Whole Life						
Premium Paying	1,100	6,200	0.6	1,100	7,500	0.4
Paid-Up	500	1,100	0.1	600	1,400	0.1
Endowment	†	100	††	†	100	††
Retirement Income	†	300	††	†	200	††
Total Group	105,600	$1,115,100	100.0	122,600	$1,888,600	100.0
INDUSTRIAL						
Whole Life						
Straight Life, Premium Paying	9,100	$ 6,100	15.6	7,800	$ 5,200	15.1
Limited Payment Life, Premium Paying	19,400	13,400	34.4	11,800	8,700	25.2
Paid-Up	27,300	13,200	33.8	26,800	15,100	43.7
Endowment	4,900	2,400	6.1	3,900	2,000	5.8
Term						
Extended	5,000	3,200	8.2	4,800	3,200	9.3
Regular						
Decreasing	†	‡	††	—	—	—
Other	100	100	0.3	100	100	0.3
Other						
Decreasing	—	100	0.3	—	‡	††
Other	—	500	1.3	—	200	0.6
Total Industrial	65,800	$ 39,000	100.0	55,200	$ 34,500	100.0
CREDIT (TERM)	79,300	$ 139,400	100.0	73,100	$ 162,400	100.0
TOTAL LIFE INSURANCE IN FORCE	390,200	$2,582,800	100.0	399,500	$4,063,600	100.0

Note: "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration. "Credit" is limited to life insurance on loans of 10 years' or less duration. In 1981, there were 3,000,000 ordinary policies in force under reduced paid-up options which totaled $5,000,000,000. For reporting purposes, the basic portion of combination plans is listed under the appropriate plan while the additional term portion, by rider or otherwise, is listed under term plans.

*Includes group certificates. †Less than 50,000. ††Less than .05%. ‡Less than $50,000,000.

Source: American Council of Life Insurance.

The data in this chapter do not include life insurance in force in the United States issued by other private insurers, including fraternal societies, and by the Federal government. The total life insurance in force, including that issued by these other sources, amounted to nearly $4.6 trillion at the end of 1982. If this amount were divided equally among American families, each would have $50,500 of coverage. Some 154 million people were insured by some form of life insurance at year-end 1982.

A survey of life insurance in force by plan at year-end 1981 showed that within ordinary insurance ownership, whole life policies accounted for the highest proportion of the amount in force. The size of the average whole life policy in force has increased since 1977 by 36.0%, reaching $9,820 in 1981. However, as a percentage of total ordinary in force, whole life declined from 60.9% in 1977 to 58.0% in 1981. Endowment and retirement income policies also declined, accounting for 3.5% of the ordinary in force in 1981, compared with 5.8% in 1977. During the same time period, ordinary term plans increased as a share of the total, from 33.3% to 38.5%. An 8.9 percentage point increase in the proportion of level and increasing term plans caused the greatest impact on the growth over the three-year period. Term riders and term portions of combination plans together showed a decline, from 11.4% of the ordinary in force in 1977 to 8.8% in 1981.

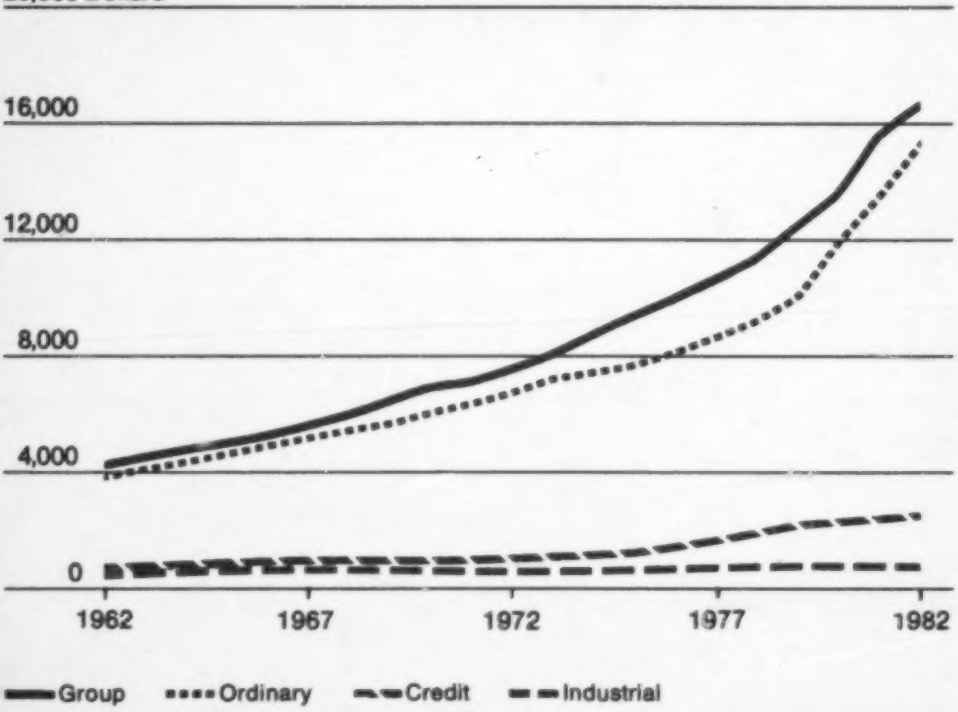
Average Size Life Insurance Policy In Force in the United States

Year	Ordinary	Group	Industrial	Credit
1920	$ 1,990	$ 960	$150	$ 200
1930	2,460	1,700	210	200
1940	2,130	1,700	240	150
1950	2,320	2,480	310	360
1960	3,600	4,030	390	680
1965	4,660	5,060	450	850
1966	4,940	5,360	450	840
1967	5,150	5,730	470	870
1968	5,450	6,070	480	910
1969	5,770	6,470	490	950
1970	6,110	6,910	500	1,000
1971	6,440	7,170	520	1,080
1972	6,790	7,530	530	1,190
1973	7,230	8,010	540	1,300
1974	7,690	8,840	550	1,310
1975	8,090	9,360	570	1,410
1976	8,610	10,010	580	1,580
1977	9,240	10,550	590	1,760
1978	10,010	11,260	600	1,950
1979	10,890	12,350	610	2,120
1980	11,920	13,410	620	2,110
1981	13,310	15,400	630	2,220
1982	15,140	16,630	630	2,41[illegible]

Note: "Credit" is limited to life insurance on loans of 10 years' or less duration. "Ordinary" and "Group" include credit life insurance on loans of more than 10 years' duration.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Average Size Life Insurance Policy In Force in the United States



Life Insurance and Disposable Personal Income Per Family in the United States

Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family	Year	Life Insurance Per Insured Family	Life Insurance Per Family	Disposable Personal Income Per Family
1930	N.A.	$ 2,800	$ 2,500	1971	$25,500	$21,700	$10,800
1935	N.A.	2,400	1,600	1972	26,900	22,900	11,400
1940	N.A.	2,700	1,700	1973	28,800	24,400	12,600
1945	$ 5,200	3,200	3,200	1974	31,200	26,500	13,300
1950	6,000	4,600	4,100	1975	33,000	28,100	14,400
1955	8,700	6,900	5,100	1976	35,000	30,100	15,300
1960	12,700	10,200	6,100	1977	37,700	32,400	16,500
1965	17,800	14,600	7,700	1978	40,800	35,100	17,900
1966	19,000	15,800	8,200	1979	44,800	38,500	19,600
1967	20,300	17,100	8,700	1980	48,300	41,500	21,400
1968	21,500	18,300	9,200	1981	53,200	45,700	22,700
1969	22,800	19,400	9,700	1982	57,300	49,300	23,900
1970	24,400	20,700	10,300				

Note: "Families" here include the units defined by the Bureau of the Census as families, subfamilies and unrelated individuals; these numbered 90,826,000 in 1982. The average amounts shown above are arithmetic means.

N.A. = Not available.

Sources: *Spectator Year Book*, American Council of Life Insurance, Life Insurance Marketing and Research Association and U.S. Department of Commerce.

Average Amount of Life Insurance In Force Per Family by State and by Region 1982

State	Amount	State	Amount	Region	Amount
Alabama	$ 48,700	Montana	$40,600	North East	$50,900
Alaska	56,400	Nebraska	54,900	New England	50,200
Arizona	43,100	Nevada	45,100	Middle Atlantic	51,200
Arkansas	35,300	New Hampshire	47,200		
California	44,200	New Jersey	60,000		
Colorado	54,600	New Mexico	44,000	North Central	52,400
Connecticut	64,400	New York	49,200	E. N. Central	52,700
Delaware	69,700	North Carolina	45,100	W. N. Central	51,800
D.C.	106,700	North Dakota	54,500		
Florida	38,300	Ohio	52,300	South	48,500
Georgia	53,100	Oklahoma	47,800	South Atlantic	47,800
Hawaii	63,700	Oregon	40,100	E. S. Central	45,400
Idaho	44,000	Pennsylvania	48,800	W. S. Central	51,300
Illinois	55,800	Rhode Island	49,800		
Indiana	49,100	South Carolina	46,100	West	45,000
Iowa	51,400	South Dakota	46,500	Mountain	47,300
Kansas	51,800	Tennessee	49,400	Pacific	44,200
Kentucky	40,200	Texas	53,900		
Louisiana	53,100	Utah	49,000	United States	49,300
Maine	37,000	Vermont	40,000		
Maryland	54,200	Virginia	53,700		
Massachusetts	47,000	Washington	41,900		
Michigan	54,200	West Virginia	39,200		
Minnesota	55,300	Wisconsin	47,500		
Mississippi	40,100	Wyoming	48,100		
Missouri	48,600				

Note: The average amounts per family are arithmetic means. "Family" includes primary families, subfamilies and unrelated individuals.

Source: American Council of Life Insurance.

Life Insurance In Force In U.S. Life Insurance Companies (000,000 omitted)

Year	Number of Policies*	Amount	Year	Number of Policies*	Amount
1900	14	$ 8,562	1968	389	$ 1,266,151
1905	22	13,364	1969	399	1,381,101
1910	30	16,404	1970	402	1,506,472
1915	43	22,777	1971	405	1,620,343
1920	68	42,281	1972	413	1,760,350
1925	101	71,690	1973	417	1,922,311
1930	128	107,948	1974	426	2,144,580
1935	124	100,730	1975	428	2,312,283
1940	137	117,794	1976	429	2,530,767
1945	167	155,723	1977	448	2,788,679
1950	210	242,018	1978	449	3,107,513
1955	266	389,081	1979	458	3,507,495
1960	308	618,189	1980	516	4,055,933
1965	359	958,623	1981	614	4,977,804
1966	372	1,051,701	1982	612	5,459,975
1967	378	1,155,619			

Note: Totals represent all life insurance in force with U.S. life companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded, which amounted to $1,060 billion in 1982) whether the policyholders are residents of the United States or of some other country. Figures include credit life insurance.

*Includes group certificates.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Ordinary Life Insurance

Ordinary life insurance protection in the United States increased to $2,216.4 billion at the end of 1982, up 12.0% in one year and two and one-half times the amount in force at the end of 1972. Purchases in 1982 totaled $585.4 billion, an increase of $103.5 billion over the previous year.

Ordinary life is the most widely used form of life insurance protection. At year-end 1982, ordinary life accounted for 49.5% of all life insurance in force in the U.S. Ordinary life insurance is typically purchased through life insurance agents and issued under individual policies with face amounts of $1,000 or more, with $5,000 a common minimum. Ordinary life can be broken down into two basic types of protection, whole life (permanent) and term insurance.

Ordinary Life Insurance In Force

In the United States (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	2	$ 4,170	1967	113	$ 584,570
1900	3	6,124	1968	116	633,392
1905	5	9,585	1969	118	682,453
1910	6	11,783	1970	120	734,730
1915	9	16,650	1971	123	792,318
1920	16	32,018	1972	126	853,911
1925	23	52,892	1973	128	928,192
1930	32	78,576	1974	131	1,009,038
1935	33	70,684	1975	134	1,083,421
1940	37	79,346	1976	137	1,177,672
1945	48	101,550	1977	139	1,289,321
1950	64	149,116	1978	142	1,425,095
1955	80	216,812	1979	146	1,585,878
1960	95	341,881	1980	148	1,760,474
1965	107	499,638	1981	149	1,978,080
1966	109	541,022	1982	146	2,216,388

In U.S. Life Insurance Companies (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	3	$ 7,093	1968	121	$ 667,532
1905	5	11,054	1969	123	721,236
1910	7	13,227	1970	125	777,163
1915	10	18,249	1971	128	839,767
1920	16	33,451	1972	131	906,255
1925	24	54,549	1973	134	983,388
1930	33	79,729	1974	137	1,071,369
1935	33	71,937	1975	140	1,153,160
1940	39	81,006	1976	143	1,257,738
1945	49	104,355	1977	147	1,382,356
1950	66	154,394	1978	151	1,535,982
1955	83	225,554	1979	156	1,722,106
1960	99	355,608	1980	216	2,086,569
1965	111	522,694	1981	264	2,571,344
1966	114	568,025	1982	252	2,861,783
1967	118	615,671			

Note: Data include individual credit life insurance on loans of more than 10 years' duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Whole life insurance offers more than death protection. Unlike term policies, whole life insurance builds cash value that can help families meet financial emergencies, pay for special goals or provide income for retirement years.

Cash value of life insurance policies is a by-product of the level premium system of whole life insurance. As the mortality rate increases with age, the cost of life insurance increases. However, under the level premium approach, the annual premium remains the same, despite the increasing risk of death.

Although the premium charged in the earlier years is higher than the actual cost of the insurance, in later years it is substantially lower than the actual cost of protection. The excess amount of each premium in the early years is held in reserve, which along with interest earned and future level premiums, assures that

Mass-Marketed Ordinary Life Insurance In Force By Type and by Size of Insured Group 1978

	Number of Groups	Number of Members*	Insurance in Force		Average Amount of Insurance Per Member
			Amount	% of Amount	
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	40,780	541,000	$ 3,259,000,000	23.1	$ 6,024
Union and Joint Employer-Union	20	2,000	16,000,000	.1	8,000
Professional Society	240	277,000	3,364,000,000	23.8	12,144
Employee Association	290	202,000	2,069,000,000	14.7	10,243
Other—Related to Employee Benefit Program	10	19,000	165,000,000	1.2	8,684
Other—Not Related to Employee Benefit Program	†	††	†††	**	***
Total	41,340	1,041,000	$ 8,873,000,000	62.9	8,524
Not Related to Employment or Occupation					
Fraternal Society	40	46,000	$ 208,000,000	1.5	4,522
Savings or Investment Group	50	47,000	104,000,000	.7	2,213
Credit Card Holders	10	237,000	2,046,000,000	14.5	8,633
Mortgage Insurance	390	77,000	872,000,000	6.2	11,325
Students	380	122,000	834,000,000	5.9	6,836
Credit Unions	2,460	66,000	575,000,000	4.1	8,712
Other	2,930	137,000	593,000,000	4.2	4,328
Total	6,260	732,000	$ 5,232,000,000	37.1	7,148
Total All Groups	47,600	1,773,000	$14,105,000,000	100.0	7,955
SIZE OF GROUP					
Fewer than 10 Members	44,920	311,000	$ 1,529,000,000	10.9	4,916
10-24 Members	1,230	25,000	212,000,000	1.5	8,400
25-99 Members	870	77,000	583,000,000	4.1	7,571
100-499 Members	390	152,000	1,229,000,000	8.7	8,086
500 or More Members	190	1,208,000	10,552,000,000	74.8	8,735
Total All Groups	47,600	1,773,000	$14,105,000,000	100.0	7,955

Note: Data by type of group are estimated on the basis of reports from life insurance companies having 93% of the total amount of mass-marketed ordinary life insurance in force in the United States (excluding credit life) at year-end 1978; and data by size of group are estimated from companies having 76%.

*Includes duplication where individuals are included in more than one group.

†Fewer than 5. ††Fewer than 500. †††Less than $500,000.

**Less than .05%.

***Not calculated for fewer than 500 members.

Source: American Council of Life Insurance.

funds will be available to cover the increasing risk of death as the policyholder grows older. The policyholder who decides to give up the protection by surrendering the policy is entitled to a share of the company's reserves. The measure of this share is the cash value.

Term insurance policies offer protection only and most do not build up cash value. The premiums are lower than whole life policies of the same amounts, but increase with each renewal of the term policy, reflecting higher mortality rates at older ages.

Surveys of life insurance in force by plan show that among ordinary insurance, permanent policies account for the highest proportion, 61.5% in 1981. Term insurance, including the term portion of combination plans, is an increasing proportion of all ordinary insurance, rising from 33.3% in 1977 to 38.5% in 1981.

One form of ordinary life insurance that has come into wider use in recent years is mass-marketed, wholesale insurance. It is sold on an individual basis to members of a group, usually as term life insurance policies with automatic renewal provisions. (In contrast, group life insurance is issued in the form of a master policy, under which certificates are issued to the individuals covered.) At year-end 1982, over $23.3 billion of mass-marketed wholesale ordinary life was in force in the United States. New issues of mass-marketed ordinary that year amounted to $4.9 billion.

A survey of mass-marketed ordinary life insurance in force at year-end 1978 shows that coverage of employer-employee and professional society groups accounted for 46.9% of the total amount of mass-marketed ordinary in force. The average amount of insurance for all employees with coverage related to employment or occupation was $8,524.

For policyholders with coverage not related to employment or occupation, the average amount of coverage was $7,955. Credit card holders accounted for 14.5% of the amount in force, while policyholders with mortgage insurance and students accounted for an additional 12.1%.

Several innovative forms of ordinary life insurance have been introduced in recent years, among them variable, universal, adjustable and variable premium life.

Distribution of the Amount of Ordinary Life Insurance In Force In the United States by Plan of Insurance

Year	Whole Life	Other Permanent*	Term	Total
1954	65.5%	18.3%	16.2%	100.0%
1957	65.8	13.9	20.3	100.0
1962	66.1	9.5	24.4	100.0
1966	65.9	7.3	26.8	100.0
1970	64.3	7.2	28.5	100.0
1974	63.0	6.0	31.0	100.0
1977	60.9	5.8	33.3	100.0
1981	58.0	3.5	38.5	100.0

Note: Data for missing years not available.

*Includes endowment and retirement income policies.

Source: American Council of Life Insurance.

The assets underlying benefits of variable life insurance are held in separate accounts invested primarily in equity-type securities. The death payment increases or decreases depending on investment results, but there is a guaranteed minimum death benefit.

By the end of 1982, $7.6 billion of variable life insurance was in force in U.S. companies. Nearly $5 billion was purchased in 1982. Premiums for variable life insurance in 1982 totaled $79 million. Sale of this form is specifically authorized in all fifty states; it is not authorized in the District of Columbia.

Adjustable life insurance allows an individual to switch protection from term insurance to whole life and back again, as needs change. The adjustable life policy is flexible; its holder can, within limits, raise or lower the face amount of the policy, increase or decrease the premium, and lengthen or shorten the protection period.

Variable premium life is another new "inflation-era" whole life type of protection. As inflation rises, driving interest rates higher and increasing investment income, the premium decreases.

Universal life insurance, first introduced in 1979, is another approach to life insurance—an attempt to make it "inflation-proof." Universal life is a flexible premium policy that allows the policyholder to change the death benefit from time to time and vary the amount or timing of premium payments. Premiums are credited under the policy; mortality charges and expense charges are deducted and interest is credited at rates which may change from time to time. The cash value at any time reflects these credits and charges. Some $40.4 billion of universal life insurance was in force with U.S. companies at year-end 1982, compared to $4.9 billion at year-end 1981.

Ordinary life is principally used for family protection but it is also widely used for business purposes. Life insurance may be used by a business to protect against the economic loss to the firm that would be caused by the death of the owner or of a key employee.

Variable and Universal Life Insurance In Force in U.S. Companies (000 omitted)

	Variable Life Insurance		Universal Life Insurance	
Year	Policies	Amount	Policies	Amount
1976	2	$ 46,541	—	—
1977	6	168,632	—	—
1978	8	224,497	—	—
1979	12	382,716	N.A.	N.A.
1980	27	965,576	N.A.	N.A.
1981	92	3,720,739	61	$ 4,868,293
1982	192	7,636,076	500	40,439,550

NA = Not Available.

Note: Excludes reinsurance assumed

Source: American Council of Life Insurance.

Group Life Insurance

At the end of 1982, group life insurance in the United States totaled $2,066.4 billion. This amount represented a 9.4% increase in one year and is triple the amount at the end of 1972. Group protection amounted to 46.2% of life insurance in force in the United States at the end of 1982.

Group life insurance set up under new or revised group contracts in the United States in 1982 totaled $250.5 billion. Group life insurance is a near-universal employee benefit in the United States.

Many group life plans provide for coverage on the lives of dependents of group members. Many also extend employees' group protection after retirement, usually in reduced amounts. Coverage on dependents totaled $56.7 billion at the end of 1982.

Group Life Insurance In Force

In the United States (000 omitted)

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1969	290	75,527	$ 488,864,000
1915	*	120	100,000	1970	304	79,844	551,357,000
1920	6	1,600	1,570,000	1971	312	82,320	589,883,000
1925	12	3,200	4,247,000	1972	326	85,102	640,689,000
1930	19	5,800	9,801,000	1973	338	88,385	708,322,000
1935	18	6,400	10,208,000	1974	359	93,567	827,018,000
1940	23	8,800	14,938,000	1975	378	96,693	904,695,000
1945	31	11,500	22,172,000	1976	404	100,138	1,002,647,000
1950	56	19,288	47,793,000	1977	437	105,649	1,115,047,000
1955	89	31,649	101,345,000	1978	495	110,445	1,243,994,000
1960	169	43,602	175,903,000	1979	559	114,893	1,419,418,000
1965	234	60,930	308,078,000	1980	586	117,762	1,579,355,000
1966	249	64,594	345,945,000	1981	631	122,611	1,888,612,000
1967	261	68,818	394,501,000	1982	636	124,279	2,066,361,000
1968	275	72,895	442,778,000				

In U.S. Life Insurance Companies (000 omitted)

Year	No. of Master Policies	No. of Certificates	Amount	Year	No. of Master Policies	No. of Certificates	Amount
1912	*	12	$ 13,000	1969	305	93,075	$ 527,344,000
1915	*	122	100,000	1970	318	97,693	593,675,000
1920	6	1,700	1,636,000	1971	325	102,313	639,441,000
1925	12	3,221	4,299,000	1972	336	103,398	697,422,000
1930	20	5,791	9,859,000	1973	349	107,977	772,134,000
1935	19	6,191	10,395,000	1974	369	112,123	896,505,000
1940	22	8,833	15,063,000	1975	388	115,928	978,920,000
1945	31	11,507	22,501,000	1976	422	119,078	1,082,217,000
1950	56	21,944	49,330,000	1977	448	121,924	1,198,107,000
1955	92	35,234	105,657,000	1978	506	126,697	1,333,623,000
1960	182	51,212	187,323,000	1979	571	132,820	1,529,910,000
1965	247	74,728	330,836,000	1980	618	138,038	1,719,284,000
1966	263	78,795	372,330,000	1981	808	189,594	2,155,637,000
1967	276	84,359	425,039,000	1982	903	200,913	2,346,642,000
1968	290	89,431	476,001,000				

Note: Data include group credit life insurance on loans of more than 10 years' duration. Totals for "In The United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

*Fewer than 500 policies.

Sources: *Spectator Year Book* and American Council of Life Insurance.

One form of group insurance is group mortgage insurance issued through lending agencies. At year-end 1982, there was $36.4 billion of group mortgage insurance in force in the United States.

A recent development in the area of group life insurance concerns survivor benefits. Benefits are normally described as a continuing monthly payment to the surviving spouse. Payments may extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of the spouse's death are also available. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary. Group life insurance in force represented by these survivor benefits amounted to $32.3 billion at year-end 1982.

A survey of group life insurance in force at year-end 1978 shows that 91.7% of the master policies covered employer-employee groups, accounting for 87.8% of the total amount of group life insurance in force. The average coverage per employee was $16,753.

Plans administered by unions, or jointly by unions and employers, accounted for 1.1% of the master policies and 3.3% of the total amount of group insurance at the end of 1978, with coverage per employee averaging $5,175.

Professional societies, employee associations and other groups indirectly related to employment or occupation accounted for 0.5% of the master policies and 3.7% of the total group amount. Savings or investment groups accounted for 4.3% of the master policies.

Employee and Dependent Coverage Under Group Life Insurance in the United States 1982

	Number of Master Policies	Amount
PURCHASED DURING YEAR		
Primary Coverage, Employee and Other	161,630	$ 233,937,000,000
Survivor Benefit Coverage	N.A.	2,472,000,000
Dependent Coverage	11,460*	6,781,000,000
Mortgage Insurance Issued Through a Lending Agency	1,130	7,342,000,000
Total	162,760	$ 250,532,000,000
IN FORCE AT END OF YEAR		
Primary Coverage, Employee and Other	630,580	$1,941,034,000,000
Survivor Benefit Coverage	N.A.	32,290,000,000
Dependent Coverage	46,160*	56,671,000,000
Mortgage Insurance Issued Through a Lending Agency	5,290	36,366,000,000
Total	635,870	$2,066,361,000,000

*These policies cover employees as well as dependents and are also included with employee master policies.

N.A. = Not available.

Source: American Council of Life Insurance.

Group Life Insurance In Force By Type and By Size Of Insured Group In the United States 1978

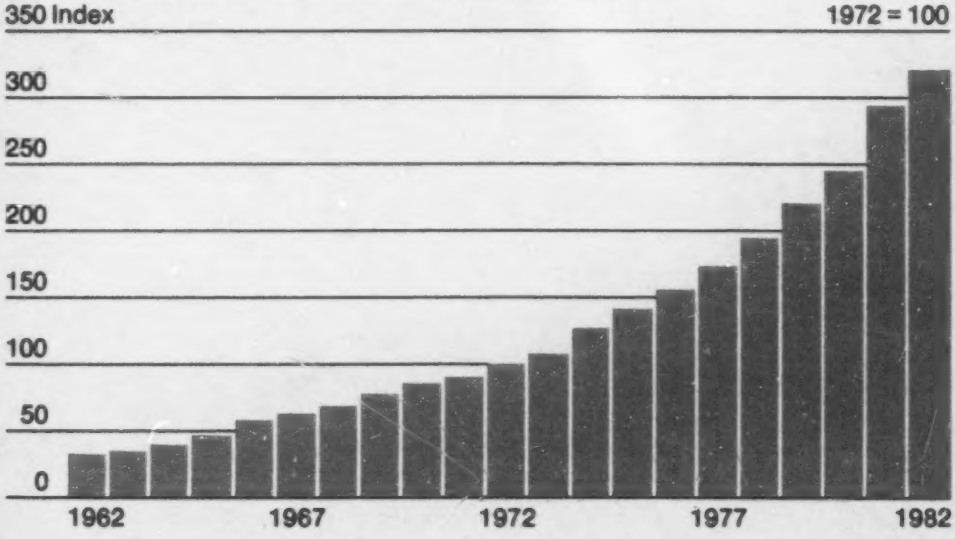
	Master Policies		Insurance In Force		
	Number	% of Total	Amount (000,000 omitted)	% of Total	Average Amount of Coverage Per Member
TYPE OF GROUP					
Related to Employment or Occupation					
Employer-Employee	453,670	91.7	$ 945,891	87.8	$16,753
Union and Joint Employer-Union	5,250	1.1	35,209	3.3	5,175
Professional Society	960	.2	18,458	1.7	28,052
Employee Association	1,730	.3	19,911	1.8	13,703
Other—Related to Employee Benefit Program	3,290	.7	7,933	.7	11,497
Other—Not Related to Employee Benefit Program	130	*	2,095	.2	22,287
Total	465,030	94.0	1,029,497	95.5	15,561
Not Related to Employment or Occupation					
Fraternal Society	340	.1	2,517	.2	12,460
Savings or Investment Group	21,380	4.3	17,764	1.7	633
Group Mortgage Insurance	5,720	1.1	24,780	2.3	17,512
Other	2,370	.5	3,170	.3	6,108
Total	29,810	6.0	48,231	4.5	1,597
Total All Groups	494,840	100.0	$1,077,728	100.0	$11,183
SIZE OF GROUP					
Fewer Than 10 Members	147,310	29.8	$ 7,223	.7	$11,802
10-24 Members	136,400	27.6	25,816	2.4	11,837
25-99 Members	135,800	27.4	68,265	6.3	12,074
100-499 Members	42,640	8.6	105,597	9.8	12,840
500 or More Members	32,690	6.6	870,827	80.8	10,927
Total All Groups	494,840	100.0	$1,077,728	100.0	$11,183

Note: Data exclude dependent coverage, Federal Employees' Group Life Insurance, and Servicemen's Group Life Insurance. Group credit life insurance on loans of over 10 years' duration is included.

*Less than .05%.

Source: American Council of Life Insurance.

Growth of Group Life Insurance In the United States



Industrial Life Insurance

Industrial life insurance policies are issued for small amounts, usually less than $1,000, and the premiums generally are paid weekly or monthly to an agent who calls at the policyholder's home. Nine out of 10 industrial policies in force have cash value elements.

Total industrial life insurance coverage in the United States was $32.8 billion at the end of 1982. This amount reflected a decrease of $1.8 billion in the year. The average size industrial life insurance policy in force was $630 in 1982.

Purchases of industrial life insurance in 1982 amounted to $1.9 billion, down $619 million from the previous year.

Industrial insurance represented 0.7% of all legal reserve life insurance in force in the U.S. at the end of 1982, compared with 5.9% two decades before. This decline has been due largely to the economic gains of American workers, who need and now can buy more life insurance protection than industrial policies normally provide. The increased availability of group life insurance through one's

Industrial Life Insurance In Force

In the United States (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1895	7	$ 818	1967	84	$39,215
1900	11	1,449	1968	81	38,827
1905	17	2,278	1969	79	38,614
1910	23	3,125	1970	77	38,644
1915	32	4,279	1971	76	39,202
1920	48	6,948	1972	76	39,975
1925	71	12,318	1973	75	40,632
1930	86	17,963	1974	71	39,441
1935	81	17,471	1975	70	39,423
1940	85	20,866	1976	67	39,175
1945	101	27,675	1977	66	39,045
1950	108	33,415	1978	64	38,080
1955	112	39,682	1979	62	37,794
1960	100	39,563	1980	58	35,994
1965	89	39,818	1981	55	34,547
1966	88	39,663	1982	52	32,766

U.S. Life Insurance Companies (000,000 omitted)

Year	No. of Policies	Amount	Year	No. of Policies	Amount
1900	11	$ 1,469	1968	83	$39,425
1905	17	2,310	1969	80	39,180
1910	23	3,177	1970	79	39,179
1915	33	4,428	1971	77	39,708
1920	50	7,190	1972	77	40,455
1925	74	12,824	1973	76	41,087
1930	89	18,287	1974	72	39,877
1935	84	18,297	1975	71	39,825
1940	87	21,344	1976	68	39,574
1945	104	28,497	1977	67	39,418
1950	111	34,391	1978	65	38,444
1955	115	40,798	1979	63	38,211
1960	102	40,446	1980	62	40,061
1965	91	40,498	1981	60	39,050
1966	89	40,322	1982	67	41,345
1967	85	39,847			

Note: Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country.

Sources: *Spectator Year Book* and American Council of Life Insurance.

employer has also been an important factor. On the other hand, industrial life insurance, as well as a sizable segment of ordinary life insurance which is on a debit basis, continues to fill a definite need of many lower-income families.

Home Service Life Insurance. In recent years, industrial life insurance and monthly debit ordinary has come to be known as home service life insurance. Both of these types of policies are individual insurance serviced by agents who call at the policyholder's home to collect the premiums. (Monthly debit ordinary insurance is also included in the data on ordinary life insurance in this book.)

The volume of home service insurance in force has shown steady growth in recent years. Total coverage with U.S. life insurance companies amounted to $163.8 billion by year-end 1982, 3.7% of all life insurance in force with U.S. life companies.

Home Service Life Insurance In Force

U.S. Life Insurance Companies (000,000 omitted)

	Monthly Debit Ordinary		Industrial		Total	
Year	No. of Policies	Amount	No. of Policies	Amount	No. of Policies	Amount
1970	33	$ 73,569	79	$39,179	112	$112,748
1971	33	77,974	77	39,708	110	117,682
1972	33	81,867	77	40,455	110	122,322
1973	34	84,760	76	41,087	110	125,847
1974	34	87,785	72	39,877	106	127,662
1975	34	91,985	71	39,825	105	131,810
1976	34	98,135	68	39,574	102	137,709
1977	34	102,307	67	39,418	101	141,725
1978	34	106,461	65	38,444	99	144,905
1979	35	111,537	63	38,211	98	149,748
1980	36	115,364	62	40,061	98	155,425
1981	36	124,318	60	39,050	96	163,368
1982	35	122,451	67	41,345	102	163,796

Note: Totals represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded), whether the policyholders are residents of the United States or of some other country. Data for monthly debit ordinary are included in the aggregate data for ordinary on pages 14-26.

Source: American Council of Life Insurance.

Credit Life Insurance

Credit life insurance, used to repay a debt in case the borrower dies, decreased in 1982, as a result of the general economic downturn and less consumer borrowing. The amount of credit life in force in the United States totaled $161.1 billion at year-end, a decrease of $1.2 billion from the previous year.

Credit life is term insurance, generally decreasing in amount as a loan is repaid. It protects the borrower's family, as well as the lender, against the unpaid debt that may be left at death. It is commonly a part of consumer credit contracts. Life companies issue credit insurance through such lenders as banks, finance companies, credit unions and retailers, who in turn make arrangements with the borrowers. The credit life insurance total includes protection of 10 years' or less duration issued through lenders.

Credit Life Insurance In Force

In the United States (000 omitted)

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1969	78,285	$ 74,598,000
1920	22	$ 4,000	1970	77,516	77,392,000
1925	81	18,000	1971	76,041	81,931,000
1930	363	73,000	1972	78,439	93,410,000
1935	559	101,000	1973	77,574	101,154,000
1940	2,563	380,000	1974	83,860	109,623,000
1945	2,110	365,000	1975	79,708	112,032,000
1950	10,819	3,844,000	1976	78,230	123,569,000
1955	27,900	14,493,000	1977	79,259	139,402,000
1960	43,087	29,101,000	1978	83,725	163,081,000
1965	62,599	53,020,000	1979	84,435	179,250,000
1966	69,415	58,059,000	1980	78,446	165,215,000
1967	70,423	61,535,000	1981	73,055	162,356,000
1968	74,851	68,357,000	1982	66,758	161,144,000

In U.S. Life Insurance Companies (000 omitted)

Year	No. of Policies and Certificates	Amount	Year	No. of Policies and Certificates	Amount
1917	1	*	1969	102,426	$ 93,341,000
1920	22	$ 4,000	1970	101,786	96,455,000
1925	81	18,000	1971	97,730	101,427,000
1930	363	73,000	1972	101,820	116,218,000
1935	559	101,000	1973	99,453	125,702,000
1940	2,568	381,000	1974	105,228	136,829,000
1945	2,124	370,000	1975	101,710	140,378,000
1950	10,992	3,903,000	1976	98,057	151,238,000
1955	32,985	17,072,000	1977	100,117	168,798,000
1960	55,650	34,812,000	1978	106,773	199,464,000
1965	82,197	64,595,000	1979	106,611	217,268,000
1966	90,095	71,024,000	1980	101,622	210,019,000
1967	90,489	75,062,000	1981	100,759	211,773,000
1968	96,347	83,193,000	1982	92,066	210,205,000

Note: "Credit" shown above is limited to life insurance on loans of 10 years' or less duration. Totals for "In the United States" represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies. Totals for "In U.S. Life Insurance Companies" represent all life insurance in force with U.S. companies (including both direct business and reinsurance acquired, and without deducting reinsurance ceded) whether the policyholders are residents of the United States or of some other country.

*Less than $500,000.

Source: American Council of Life Insurance.

Life Insurance and American Families

A national survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association provides an inventory of life insurance coverage of adults and families and other households in the United States.

At year-end 1976, 2 out of 3 individuals in the U.S. had some form of life insurance coverage. Adult men were the most frequently insured, with 80% having some type of coverage; 78% were the primary policyholder. Sixty-five percent of adult women were insured; 54% as primary policyholders. Over half (57%) of all children were protected; the majority were covered as dependents.

The average (mean) amount of life insurance in force on a man in 1976 was $29,000; on a woman, $7,680; and on a child $2,640. Adult men with their own policies (i.e., not covered as dependents) paid an average annual premium of $256. The average premium for women owning their own policies was $78 per year.

Life insurance purchased by an individual through a life insurance agent covered 54% of American adults; 59% of men and 50% of women. In 1976, the average amounts of agent-marketed individual life insurance owned by adult males and females were $19,210 and $5,240, respectively.

Some form of life insurance was held by 80% of U.S. household heads. The average amount of coverage per insured head in 1976 was $26,730. Life insurance purchased by an individual through an agent was owned by 59% of household heads, while employee group life insurance provided protection for 42%. A larger percentage of male household heads had group coverage (48%) than did female heads (21%). The average amounts of group insurance owned by male and female household heads were $20,830 and $8,550, respectively. Group insurance protected 59% of household heads employed full-time; the highest incidence of coverage (71%) occurring in households whose total income was in the $20,000 to $24,999 range.

The survey showed that life insurance ownership was most prevalent in households where the head was in the 30 to 34 age group; one or more household members were insured in 91% of those households. The total amount of insurance owned by members of covered households in 1976 averaged $49,320, with one-third of such households insured for $50,000 or more.

In 69% of households headed by persons 65 and over, one or more persons were protected by some form of life insurance; however, in two-thirds of covered households policies totaled less than $5,000.

Families where both husband and wife are present comprise approximately 62% of all American households. Of these husband-wife families, the head was most frequently insured (91%) when there was a child or children under age 18 living at home. The average amount of coverage for insured husbands in these families in 1976 was $37,600, while the average coverage for the entire family was $48,110. Sixty-seven percent of heads of husband-wife families with children under 18 owned agent-marketed individual life insurance; the average amount of coverage was $23,500.

Primary individuals (a primary individual is a one-person household or a household in which two or more unrelated adults live together) comprise about 25% of all U.S. households. According to the survey, 63% of heads of such households were covered by some form of life insurance in 1976.

Ownership of Life Insurance by Adults 1976

Percent of Adults Insured by Type of Life Insurance

	All Types of Life Insurance		Agent-Marketed Individual Life Insurance		Employee Group Life Insurance	
Total Adult	72%		54%		31%	
Men	80		59		42	
Women	65		50		21	
Age	Male	Female	Male	Female	Male	Female
18-24	63%	57%	43%	39%	24%	21%
25-29	83	65	57	45	50	29
30-34	90	76	67	60	57	28
35-44	88	71	65	53	54	31
45-54	89	68	65	51	57	25
55-64	87	68	63	60	46	17
65 and Older	68	55	56	49	17	5
Total Life Insurance Coverage (All Adults)						
$100,000 or more	2%		1%		†	
$50,000-$99,999	5		2		2%	
$25,000-$49,999	9		4		3	
$15,000-$24,999	8		5		4	
$ 5,000-$14,999	21		16		14	
Less than $5,000	27		26		8	
	72%		54%		31%	
Average Amount of Coverage						
Total Adult	$18,720		$12,280		$16,250	
Men	29,000		19,210		20,620	
Women	7,680		5,240		8,620	
Wives	8,470		5,980		8,900	
Children	2,640		2,450		2,310	

Ownership of Life Insurance by Households 1976

Percent of Households in Which at Least One Member Owns Life Insurance

	All Types of Life Insurance	Agent-Marketed Individual Life Insurance	Employee Group Life Insurance
All Households	83%	65%	46%
Male Head	88	69	52
Female Head	67	52	24
All Families	88%	70%	51%
Husband-Wife Families	90	71	55
With Children Under 18	93	73	63
Without Children Under 18	88	70	47
Individual Heads	64%	46%	25%
Percent of Households in Which Household Head Is Insured			
All Household Heads	80%	59%	42%
Male Head	85	62	48
Female Head	64	49	21
Heads of All Husband-Wife Families	88%	65%	50%
With Children Under 18	91	67	59
Without Children Under 18	84	63	41
Heads of All Families	85%	63%	46%
Incomplete Families*	71	54	25
Individual Heads**	63	44	24

Note: "All Types of Life Insurance" includes coverage with legal reserve life insurance companies, Veterans life insurance, and life insurance issued by savings banks, fraternal organizations, mutual aid and burial societies, and similar types of coverage. "Agent-Marketed Individual Life Insurance" comprises ordinary and/or industrial life insurance individually purchased through an agent.

†Less than .5%.

*A family of two or more related individuals in which the family head does not have a spouse living in the household.

**Households of one person and those in which two or more unrelated adults live together.

Source: A national consumer survey conducted in 1976 for the American Council of Life Insurance and the Life Insurance Marketing and Research Association.

ANNUITIES

The number of annuities in force with U.S. life insurance companies under individual and supplementary contracts totaled 8.3 million at the end of 1982, an increase of 1,609,000, or 23.9%, during the year.

Individual annuities accounted for 7.7 million of the total, an increase of 1,575,000, or 25.8%, from 1981. The growth was due largely to continued purchases of annuities for individual pension plans, made possible by the 1974 Federal pension legislation, the Employee Retirement Income Security Act. This follows an increase of 13.1% during 1981, 20.3% in 1980 and an increase of 22.2% in 1975, the first full year that the pension law was in effect.

Annual income now payable or to be paid in the future under individual annuities amounted to nearly $13.7 billion in 1982, an increase of $3.6 billion over 1981. Individually purchased annuities, such as Keogh plans or tax-sheltered type plans, are also discussed in the chapter on pension plans with life insurance companies (page 51).

Many supplementary contracts provide life income from life insurance policy proceeds. By year-end 1982, there were 663,000 supplementary contract life annuities in force with life insurance companies, providing current and future annual income of $577 million to annuitants.

Annuities provide protection against the possibility of outliving one's financial resources. They can be set up to pay income currently or in the future at regular intervals, usually monthly. Most annuities are intended to provide guaranteed retirement income of a predetermined amount, most often for life.

There are several sources of annuity plans. They are available on a group basis, most often as pension plans set up by employers with life insurance companies, or they can be purchased individually through a life insurance agent. The cash surrender, matured endowment values, or the death benefit of individual life insurance policies may also be used to set up an annuity. Group annuities with life insurance companies are covered in the chapter on pension plans (page 51).

Individual Annuities and Supplementary Contracts In Force 1982

U.S. Life Insurance Companies

	Individual Annuities		Supplementary Contracts	
	Number	Annual Income	Number	Annual Income
Income Now Payable	581,000	$ 811,000,000	647,000	$560,000,000
Income Deferred But Fully Paid	3,264,000	5,415,000,000	16,000	17,000,000
Income Deferred But Not Fully Paid	3,841,000	7,442,000,000	*	**
Total	7,686,000	$13,668,000,000	663,000	$577,000,000

Note: Data for supplementary contracts represent only those with life contingencies.

*Fewer than 500. **Less than $500,000.

Source: American Council of Life Insurance.

Variable Annuities. The variable annuity, all or part of which may be based on common stock investments or related to a cost of living or other index, was first developed in the 1950s. Part or all of the funds normally placed in common stocks or other investments are maintained in a separate investment account. Considerably more investment latitude is permitted with funds in separate accounts than with life insurance investments generally. With one type of variable annuity, income payments are fixed and guaranteed once they begin, although the initial size depends upon the value of the fund. With another, the income payments themselves vary with the current value of the investments on which the annuity is based. Many plans provide for a combination of fixed and variable incomes under one contract.

Survey data for year-end 1982 showed that there were 2.4 million persons covered by life insurance company variable annuity plans in the United States. Over 2.3 million of these persons were covered by plans with equity-based benefits.

Annualized income paid in 1982 amounted to $276.4 million, $69.6 million under the variable payment portion and $206.8 million under the fixed portion. In addition, many persons have plans which provide a variable benefit if the variable payment option is exercised prior to retirement as specified in the contract.

Included in individual plans were 157,930 Individual Retirement Accounts with $255.7 million in variable and $305.1 million in other reserves.

Variable Annuity Plans in the United States 1982

(Dollar Amounts in Thousands)

	Group Plans				Total
	Equity Fund Index	Other Indices	Total Group	Individual Plans	(Group and Individual)
IN FORCE YEAR-END 1982					
No. of Plans	44,740	620	45,360	—	—
No. of Persons	1,431,880	79,480	1,511,360	896,540	2,407,900
Reserves					
Variable	$ 3,802,000	$571,960	$ 4,373,960	$4,405,440	$ 8,779,400
Other	6,655,190	389,100	7,044,290	2,415,210	9,459,500
Total	$10,457,190	$961,060	$11,418,250	$6,820,650	$18,238,900
CONSIDERATIONS IN 1982					
Variable	$ 285,310	$ 45,150	$ 330,460	$1,171,450	$ 1,501,910
Other	878,550	63,380	941,930	1,449,340	2,391,270
Total	$1,163,860	$108,530	$1,272,390	$2,620,790	$ 3,893,180
VARIABLE ANNUITIES IN COURSE OF PAYMENT 1982					
No. of Persons Receiving Payments Year-End 1982	20,160	11,660	31,820	11,720	43,540
Annualized Income					
Variable	$ 25,990	$ 37,420	$ 63,410	$ 6,240	$ 69,650
Fixed	158,430	34,850	193,280	13,500	206,780
Total	$ 184,420	$ 72,270	$ 256,690	$ 19,740	$ 276,430

Note: The table includes variable and fixed data on plans which provide variable annuity benefits either in whole or in part. Numbers of plans and active lives under plans which provide an option for a variable annuity payout at retirement are not included. For 1982 there were 510 such groups covering 95,930 persons, and 14,030 individual plans.

Source: American Council of Life Insurance.

LIFE INSURANCE AND ANNUITY BENEFIT PAYMENTS

Americans received $48.0 billion in payments from life insurance policies and annuities during 1982, a 10.4% increase over 1981.

These payments, increasing steadily for many years, reflect the growing use of life insurance, not only in providing funds for the family whose breadwinner dies but for family financial needs during the policyholder's lifetime.

Since the majority of payments to beneficiaries, as well as payments to policyholders and annuitants, are made well after the time of purchase, life insurance benefit payments have not yet fully reflected the increase in life insurance and annuity purchases of the past two decades.

Several factors affect the pattern of life insurance benefit payments. Primary among them are the changes in the death rate among policyholders and the growth of group life insurance and other term insurance policies which do not incorporate a cash value.

These figures do not include $2.5 billion of benefits paid by other organizations issuing legal reserve life insurance, including fraternal societies, and by the Federal government.

Life Insurance and Annuity Benefit Payments

In the United States (000,000 omitted)

	Life Policyholders and Beneficiaries							
Year	Death Payments	Matured Endowments	Disability Payments	Surrender Values	Policy Dividends	Total	Annuity Payments	Grand Total
1940....	$ 995	$ 269	$104	$ 652	$ 468	$ 2,488	$ 176	$ 2,664
1945....	1,279	407	88	211	466	2,451	216	2,667
1950....	1,590	495	100	592	627	3,404	327	3,731
1955....	2,241	614	110	896	1,021	4,882	501	5,383
1960....	3,346	673	124	1,663	1,512	7,288	830	8,118
1965....	4,832	931	163	1,932	2,259	10,117	1,300	11,417
1966....	5,218	982	169	2,120	2,416	10,905	1,437	12,342
1967....	5,665	1,017	175	2,243	2,596	11,696	1,598	13,294
1968....	6,209	967	196	2,456	2,803	12,631	1,754	14,385
1969....	6,758	953	205	2,722	2,967	13,605	1,920	15,525
1970....	7,017	978	233	2,887	3,214	14,329	2,120	16,449
1971....	7,423	990	257	2,882	3,300	14,852	2,325	17,177
1972....	8,007	1,001	271	3,027	3,640	15,946	2,628	18,574
1973....	8,572	1,025	317	3,418	3,948	17,280	3,033	20,313
1974....	8,885	991	375	3,642	4,208	18,101	3,351	21,452
1975....	9,192	946	426	3,763	4,544	18,871	3,665	22,536
1976....	9,593	976	458	4,148	5,017	20,192	4,419	24,611
1977....	10,196	932	495	4,309	5,263	21,195	5,267	26,462
1978....	11,108	916	533	4,520	5,674	22,751	5,863	28,614
1979....	11,766	913	554	5,473	6,131	24,837	7,548	32,385
1980....	12,884	908	592	6,678	6,785	27,847	10,195	38,042
1981....	14,154	883	627	7,961	7,838	31,463	12,021	43,484
1982....	15,066	839	574	10,779	7,922	35,180	12,814	47,994

Note: Figures represent benefit payments under original policy contracts, including benefits that are left with the companies for future payment under supplementary contracts, but excluding payments from existing supplementary contracts. See page 46 for supplementary contract payments and page 47 for health insurance benefits paid by life companies. Annuity payments include death, surrender, disability and dividend payments.

Source: American Council of Life Insurance.

Life Insurance and Annuity Benefit Payments

In the United States by State 1982 (000 omitted)

State	Death Payments	Matured Endowments	Annuity Payments	Disability Payments	Surrender Values	Policy and Contract Dividends	Total
Alabama	$ 245,600	$ 9,400	$ 77,900	$ 8,200	$ 160,400	$ 110,000	$ 611,500
Alaska	25,300	600	13,700	500	10,700	11,600	62,400
Arizona	165,100	8,300	172,400	6,900	124,000	100,900	577,600
Arkansas	104,300	4,600	53,300	4,100	77,200	56,100	299,600
California	1,472,300	64,400	1,410,600	59,600	1,032,200	807,200	4,846,300
Colorado	190,400	8,600	141,800	5,600	150,600	131,900	628,900
Connecticut	267,300	15,500	471,300	8,200	206,700	181,000	1,150,000
Delaware	53,600	3,000	27,500	2,100	31,500	31,400	149,100
D. C.	95,500	4,100	39,400	1,400	28,900	26,600	195,900
Florida	708,900	41,100	573,900	26,400	510,900	377,200	2,238,400
Georgia	357,900	13,700	113,900	12,500	242,600	170,800	911,400
Hawaii	60,900	4,000	72,300	2,400	54,100	48,700	242,400
Idaho	48,000	2,300	48,600	1,300	41,700	32,500	174,400
Illinois	854,700	58,800	603,200	25,700	640,500	651,300	2,834,200
Indiana	341,700	23,400	283,500	15,800	279,000	232,500	1,175,900
Iowa	178,200	15,000	138,500	14,400	173,400	165,800	685,300
Kansas	151,600	10,100	106,900	5,600	110,500	106,000	490,700
Kentucky	194,900	9,600	95,100	7,900	117,200	106,500	531,200
Louisiana	284,000	9,100	99,700	9,500	152,400	134,300	689,000
Maine	50,100	5,600	47,400	2,400	50,800	49,500	205,800
Maryland	325,600	17,300	186,200	7,600	197,300	187,700	921,700
Massachusetts	372,200	23,300	370,100	10,800	274,100	247,600	1,298,100
Michigan	647,600	33,500	530,600	41,200	447,400	330,500	2,030,800
Minnesota	215,200	14,900	229,900	8,500	199,700	191,100	859,300
Mississippi	116,700	4,100	33,200	3,900	78,900	54,800	291,600
Missouri	321,700	18,400	197,400	11,600	213,000	185,200	947,300
Montana	43,200	2,900	29,500	1,300	31,400	28,500	136,800
Nebraska	102,200	7,300	83,100	4,200	87,900	93,100	377,800
Nevada	66,600	1,700	32,300	1,200	33,300	24,900	160,000
New Hampshire	52,200	4,200	41,000	2,100	43,200	42,000	184,700
New Jersey	635,500	36,400	502,200	24,100	447,500	422,000	2,067,700
New Mexico	70,000	2,700	49,400	1,900	44,000	41,000	209,000
New York	1,295,700	79,200	1,103,100	56,600	860,500	1,017,500	4,412,600
North Carolina	356,700	17,700	172,500	10,000	272,800	180,500	1,010,200
North Dakota	31,200	2,500	23,300	1,100	35,500	23,600	117,200
Ohio	741,700	52,100	592,300	37,300	620,000	517,200	2,560,600
Oklahoma	194,800	7,900	111,300	6,000	108,800	100,800	529,600
Oregon	137,700	7,600	172,900	4,400	117,400	89,300	529,300
Pennsylvania	867,100	68,800	640,900	35,800	612,600	573,300	2,798,500
Rhode Island	61,600	4,700	66,000	2,500	58,600	47,100	240,500
South Carolina	185,500	8,600	63,400	6,300	124,300	75,000	463,100
South Dakota	37,400	2,300	24,300	1,400	35,300	28,200	128,900
Tennessee	278,500	12,000	164,700	10,500	198,700	150,900	815,300
Texas	956,400	31,400	610,200	25,200	633,300	400,600	2,657,100
Utah	74,800	3,200	53,700	2,100	62,300	41,000	237,100
Vermont	26,600	2,700	25,900	1,200	22,000	21,800	100,200
Virginia	376,700	17,300	184,400	8,300	236,200	172,000	994,900
Washington	213,600	11,800	228,400	9,400	190,500	156,700	810,400
West Virginia	106,500	6,900	59,300	5,900	49,900	63,100	291,600
Wisconsin	274,400	23,100	247,100	10,900	228,200	240,400	1,024,100
Wyoming	29,900	1,200	18,700	700	18,700	18,400	87,600
Total U.S.	$15,065,800	$838,900	$11,438,200	$574,500	$10,778,600	$9,297,600	$47,993,600

Note: Totals for annuity payments and dividend payments differ from those shown on pages 5, 37 and 44 because annuity dividends in this table are included with policy dividends rather than with annuity payments.

Source: American Council of Life Insurance.

Payments to Beneficiaries

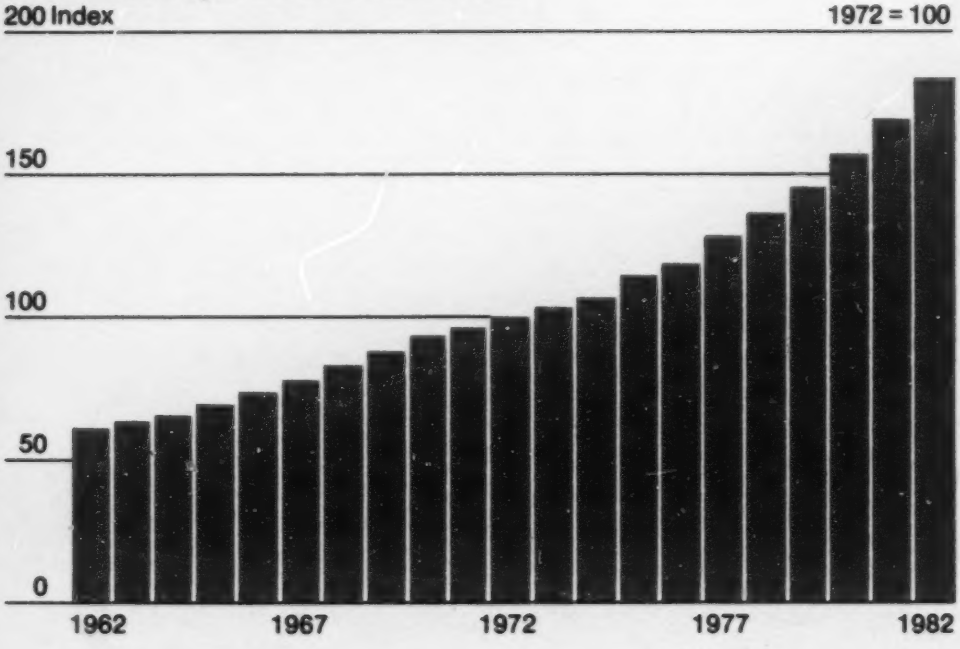
The main reason people buy life insurance is to protect their dependents against financial hardship when the policyholder dies. The extent to which American families depend upon life insurance to provide this economic protection was documented in a survey of widows some years ago, which showed that life insurance of some type was owned by 92% of the husbands. Individually purchased policies bought from legal reserve companies were owned by 7 out of 10 husbands.

Nationally, the growth in the level of life insurance ownership has been the primary reason for the almost uninterrupted rise in life insurance death payments over the years, despite a generally downward trend in death rates among life insurance policyholders.

During 1982, life insurance companies paid $15.1 billion to beneficiaries of policyholders who died. Of this total, ordinary life insurance policies accounted for 46.4% of the payments and provided $7.0 billion. Group life insurance payments to beneficiaries totaled nearly $7.0 billion. Group life insurance has grown as a proportion of total death payments, accounting for 46.2% of death payments in 1982, compared to 44.2% in 1972. Payments to beneficiaries from industrial life insurance came to some $464 million in 1982. Benefits paid under short-term individual and group credit life insurance policies (life insurance on loans of 10 years' or less duration) were $656 million in 1982.

The largest amount of death payments in 1982 by state was made in California—$1.5 billion. New York ranked second with $1.3 billion.

Relative Growth in Average Size Life Insurance Death Benefit Payments in the United States



Payments to Life Insurance Beneficiaries in the United States

(No. in Thousands, Amount in Millions)

	Ordinary		Group		Industrial		Credit*		Total	
Year	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1940	267	$ 729	50	$ 104	707	$162	—	—	1,024	$ 995
1945	370	897	92	171	856	212	—	—	1,318	1,280
1950	403	1,090	133	283	843	217	—	—	1,379	1,590
1955	489	1,380	243	591	929	270	—	—	1,661	2,241
1960	630	1,904	394	1,115	1,014	327	—	—	2,038	3,346
1965	784	2,604	636	1,824	1,082	403	—	—	2,502	4,831
1966	815	2,750	683	2,058	1,079	410	—	—	2,577	5,218
1967	832	2,961	721	2,288	1,060	416	—	—	2,613	5,665
1968	930	3,210	746	2,578	1,039	421	—	—	2,715	6,209
1969	955	3,424	769	2,898	1,025	436	—	—	2,749	6,758
1970	960	3,545	767	3,027	1,014	445	—	—	2,741	7,017
1971	987	3,699	761	3,267	1,017	457	—	—	2,765	7,423
1972	1,036	4,004	810	3,537	1,040	466	—	—	2,886	8,007
1973	1,057	4,222	541	3,377	1,018	477	398	$496	3,014	8,572
1974	1,068	4,340	590	3,580	974	472	377	493	3,009	8,885
1975	1,076	4,439	591	3,807	922	462	337	484	2,926	9,192
1976	1,090	4,635	580	3,991	933	475	322	492	2,925	9,593
1977	1,081	4,879	571	4,334	911	475	307	508	2,370	10,196
1978	1,123	5,312	592	4,738	928	488	318	570	2,961	11,108
1979	1,103	5,548	601	5,127	881	480	309	611	2,894	11,766
1980	1,172	6,094	637	5,671	873	493	285	626	2,967	12,884
1981	1,210	6,640	668	6,374	806	477	324	663	3,008	14,154
1982	1,226	6,993	645	6,953	771	464	331	656	2,973	15,066

*Prior to 1973 death payments under Credit Life Insurance are included with Ordinary and Group.

Source: American Council of Life Insurance.

Analyses of death payments indicate that members of policyholders' immediate families are the beneficiaries of most of the proceeds from all types of life insurance. Most other payments go to relatives outside the immediate family, with smaller proportions going to estates and trusts, business firms and partners, and to educational, charitable and other institutions.

The most recent study of benefit payments showed that in April 1981, 25% of all death payments from ordinary life insurance were on the lives of policyholders under the age of 50, 55% were on policyholders aged 50 to 74, and 20% were on the lives of persons 75 years old or older.

Most payments to beneficiaries are taken in a lump sum. However, some beneficiaries elect to leave the proceeds with the insurance companies at interest. Another choice of settlement, under both group and ordinary insurance, is to take an income for life or for a specified period.

The 1981 survey from which these conclusions are drawn is the most recent in a series of 12 periodic surveys of payments to beneficiaries under ordinary life insurance policies. A comparison of these studies reveals shifts in some aspects of payments to beneficiaries. For example, the size of payments upon death under ordinary life insurance policies has been growing, reflecting the increasing size of policies in force. When the first survey was taken in 1948, payments to beneficiaries of $10,000 or more were made on only 5.6% of the policies. By the 1981 survey, the proportion more than doubled to 12.3%.

Many life insurance policies provide an additional benefit if the policyholder's death is accidental. During 1982, life insurance companies' payments under accidental death clauses totaled $289 million.

Payments to Life Insurance Beneficiaries

In the United States by State 1982

State	Ordinary* No.	Ordinary* Amount (000 omitted)	Group** No.	Group** Amount (000 omitted)	Industrial No.	Industrial Amount (000 omitted)	Total No.	Total Amount (000 omitted)
Alabama	16,500	$102,800	17,700	$120,800	58,000	$22,000	92,200	$ 245,600
Alaska	600	8,300	2,100	16,900	200	100	2,900	25,300
Arizona	14,300	89,100	10,500	74,000	2,600	2,000	27,400	165,100
Arkansas	8,600	54,200	7,000	48,200	3,700	1,900	19,300	104,300
California	87,800	707,600	89,800	745,500	26,900	19,200	204,500	1,472,300
Colorado	12,800	91,800	12,600	96,400	2,900	2,200	28,300	190,400
Connecticut	22,300	118,900	16,600	144,200	5,400	4,200	44,300	267,300
Delaware	3,700	18,200	3,300	33,700	2,900	1,700	9,900	53,600
D.C.	2,900	22,400	8,700	69,400	6,400	3,700	18,000	95,500
Florida	68,300	402,600	37,300	279,200	52,500	27,100	158,100	708,900
Georgia	32,600	161,600	21,900	172,600	51,600	23,700	106,100	357,900
Hawaii	2,800	28,000	5,000	32,900	100	†	7,900	60,900
Idaho	3,500	21,600	3,900	26,100	400	300	7,800	48,000
Illinois	76,200	412,700	53,600	412,700	40,700	29,300	170,500	854,700
Indiana	30,600	156,700	21,700	170,200	23,300	14,800	75,600	341,700
Iowa	18,100	98,200	11,000	77,500	3,600	2,500	32,700	178,200
Kansas	14,500	84,800	9,200	63,800	4,500	3,000	28,200	151,600
Kentucky	19,100	95,300	12,300	89,200	19,800	10,400	51,200	194,900
Louisiana	17,700	130,100	17,200	141,300	24,800	12,600	59,700	284,000
Maine	5,500	24,100	4,900	25,000	1,400	1,000	11,800	50,100
Maryland	22,300	130,600	20,400	183,400	20,000	11,600	62,700	325,600
Massachusetts	41,800	165,500	23,400	196,500	14,400	10,200	79,600	372,200
Michigan	44,100	225,600	47,300	405,000	24,400	17,000	115,800	647,600
Minnesota	17,400	107,100	15,200	104,900	4,300	3,200	36,900	215,200
Mississippi	7,700	58,200	9,300	55,700	5,700	2,800	22,700	116,700
Missouri	36,200	160,500	19,800	150,300	16,100	10,900	72,100	321,700
Montana	3,100	22,900	3,100	20,000	400	300	6,600	43,200
Nebraska	10,200	60,700	5,000	40,300	1,800	1,200	17,000	102,200
Nevada	2,400	26,300	5,000	40,100	300	200	7,700	66,600
New Hampshire	5,000	24,600	3,700	26,200	1,700	1,400	10,400	52,200
New Jersey	54,400	271,700	35,500	343,500	24,600	20,300	114,500	635,500
New Mexico	4,200	32,100	4,700	37,300	900	600	9,800	70,000
New York	113,800	616,800	81,900	648,400	40,100	30,500	235,800	1,295,700
North Carolina	30,800	189,400	22,200	152,600	28,600	14,700	81,600	356,700
North Dakota	2,800	16,700	2,300	14,400	100	100	5,200	31,200
Ohio	63,900	326,800	47,600	382,600	47,800	32,300	159,300	741,700
Oklahoma	15,100	94,600	11,900	97,600	4,100	2,600	31,100	194,800
Oregon	8,900	56,300	11,000	80,400	1,400	1,000	21,300	137,700
Pennsylvania	92,700	389,500	58,800	431,200	66,900	46,400	218,400	867,100
Rhode Island	8,600	30,200	4,500	29,200	3,200	2,200	16,300	61,600
South Carolina	21,200	86,100	12,700	85,400	29,200	14,000	63,100	185,500
South Dakota	3,300	23,400	2,300	13,900	100	100	5,700	37,400
Tennessee	22,700	119,700	20,600	145,700	29,000	13,100	72,300	278,500
Texas	62,900	470,700	55,400	470,100	23,800	15,600	142,100	956,400
Utah	4,700	33,800	6,200	40,200	1,400	800	12,300	74,800
Vermont	2,800	12,600	1,800	13,500	600	500	5,200	26,600
Virginia	25,500	145,800	25,000	215,000	29,700	15,900	80,200	376,700
Washington	13,300	92,300	16,500	119,600	2,700	1,700	32,500	213,600
West Virginia	7,800	44,000	7,700	58,600	6,700	3,900	22,200	106,500
Wisconsin	25,100	137,500	18,400	130,200	8,900	6,700	52,400	274,400
Wyoming	1,900	14,300	1,700	15,500	100	100	3,700	29,900
Total U.S.	1,235,000	$7,015,300	967,200	$7,586,900	770,700	$463,600	2,972,900	$15,065,800

*Includes $22 million in payments to beneficiaries under individual credit life insurance policies on loans of 10 years' or less duration.

**Includes $634 million in payments to beneficiaries under group credit life insurance policies on loans of 10 years' or less duration.

†Less than $50,000.

Source: American Council of Life Insurance.

Analysis of Payments to Life Insurance Beneficiaries in the United States, April 1981

	Percent of Policies			Percent of Amount		
	Ordinary*	Group	Industrial	Ordinary*	Group	Industrial
SEX OF INSURED						
Male	73.2	80.9	41.8	87.8	87.1	44.9
Female	26.8	19.1	58.2	12.2	12.9	55.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT DEATH						
Under 25	2.3	4.4	0.9	2.7	3.4	1.7
25-34	2.3	5.2	1.1	5.5	6.9	1.7
35-44	3.5	6.8	2.1	9.3	10.2	2.7
45-54	8.8	16.0	5.3	17.2	22.9	7.2
55-64	19.9	27.9	14.2	24.7	37.6	16.0
65-74	28.1	21.0	27.4	20.8	12.4	26.3
75 or Older	35.1	18.7	49.0	19.8	6.6	44.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
RELATIONSHIP OF BENEFICIARY TO INSURED						
Husband	9.6	7.0	12.9	4.6	6.1	13.2
Wife	47.2	52.9	24.1	53.6	59.9	26.2
Child or Children	16.8	16.2	37.9	9.6	11.1	37.0
Other Relatives	13.0	11.1	18.6	8.2	9.7	17.8
Estate or Trust	4.8	6.2	3.2	7.6	6.7	2.9
Institution	0.6	3.2	0.6	1.7	2.9	0.5
All Other	8.0	3.4	2.7	14.7	3.6	2.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM						
Less Than 1 Year	1.7	—	0.6	5.1	—	1.0
1 to 5 Years	5.6	—	4.3	16.9	—	6.5
5 to 10 Years	7.5	—	5.6	15.2	—	7.1
10 to 20 Years	19.1	—	11.3	22.5	—	12.7
20 to 30 Years	17.6	—	19.0	15.6	—	20.5
30 Years or More	48.5	—	59.2	24.7	—	52.2
Total	100.0	—	100.0	100.0	—	100.0
SEX OF BENEFICIARY						
Male	20.4	18.8	34.5	11.0	14.1	34.9
Female	62.0	67.4	58.4	62.6	69.0	58.0
Both Sexes Represented	5.9	5.7	1.8	5.6	4.6	2.5
All Other	11.7	8.1	5.3	20.8	12.3	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS						
Lump Sum	97.9	98.3	100.0	96.0	96.2	100.0
Life Income	0.5	0.4	—	0.8	0.9	—
Annuity Certain	0.8	0.7	—	1.2	1.8	—
Held at Interest	0.7	0.4	—	1.7	0.8	—
All Other	0.1	0.2	**	0.3	0.3	**
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Figures exclude individual credit life insurance on loans of 10 years' or less duration.

**Less than .05%.

Source: American Council of Life Insurance.

Payments to Policyholders and Annuitants

Although the basic purpose of life insurance is to provide protection against the economic risks of death, it also generates important values for the individual policyholder. Benefits paid during the lifetime of the policyholder are known as living benefits.

Payments to life insurance policyholders in 1982 totaled $20.1 billion, 57.2% of total life insurance benefit payments in the United States. They consisted of payments from matured endowments, surrender values, disability provisions, and policy dividends.

Matured endowments paid policyholders $839 million during the year. Disability payments under life insurance policies totaled $574 million, including $304 million in direct income payments to disabled policyholders and $270 million in waived premiums.

Cash surrender values paid on policies terminated voluntarily during the year amounted to nearly $10.8 billion, an increase of 35.4% over the previous year. Although some of the policies were surrendered to meet financial emergencies or in accordance with plans to meet long-term goals, three other factors in 1982 contributed to this unusually large increase in surrender payments: the high unemployment rate; the expanded eligibility for Individual Retirement Accounts; and the availability of newer life insurance products, for which older policies were exchanged.

Dividends to policyholders accounted for 39.4% of all payments to life insurance policyholders in 1982. These policy dividends amounted to over $7.9 billion. Dividends represent the return to policyholders of part of the payments they have made on policies sold on a participating basis and reflect the portion that was not needed by the company after payments of claims, additions to reserves and administrative expenses.

Annuitants received $12.8 billion in payments and dividends in 1982, up 6.6% from the $12.0 billion paid in 1981.

Based on an analysis of 1980 life insurance and annuity dividend payments (the last year for which data are available), it is estimated that policyholders used 18% of the policy dividend total to help pay their premiums, left 26% with the life companies at interest, used 38% to buy additional life insurance or annuities, and took

Payments to Life Insurance Policyholders in the United States

Year	Amount (000)	% of Total Life Insurance Payments	Year	Amount (000)	% of Total Life Insurance Payments
1940	$1,492,800	60.0	1972	$ 7,939,100	49.8
1945	1,171,300	47.8	1973	8,708,300	50.4
1950	1,813,800	53.3	1974	9,215,600	50.9
1955	2,641,400	54.1	1975	9,679,200	51.3
1960	3,942,000	54.1	1976	10,598,500	52.5
1965	5,285,500	52.2	1977	10,999,000	51.9
1966	5,687,300	52.2	1978	11,643,800	51.2
1967	6,030,300	51.6	1979	13,071,500	52.6
1968	6,421,900	50.8	1980	14,962,800	53.7
1969	6,846,400	50.3	1981	17,309,300	55.0
1970	7,311,700	51.0	1982	20,114,500	57.2
1971	7,429,000	50.0			

Note: Payments to life insurance policyholders include matured endowments, disability payments, surrender values and policy dividends.

Source: American Council of Life Insurance.

Payments to Annuitants in the United States (000 omitted)

Year	Amount	Year	Amount
1940	$ 176,500	1972	$ 2,628,000
1945	216,400	1973	3,032,500
1950	327,200	1974	3,351,600
1955	500,600	1975	3,664,900
1960	830,400	1976	4,419,400
1965	1,299,700	1977	5,267,300
1966	1,436,700	1978	5,862,900
1967	1,598,000	1979	7,548,000
1968	1,753,800	1980	10,194,900
1969	1,920,000	1981	12,020,600
1970	2,120,400	1982	12,813,300
1971	2,324,900		

Note: Annuity payments include death, surrender, disability and dividend payments.

Source: American Council of Life Insurance.

18% in cash. The proportion used to purchase additional coverage has been increasing for two decades, whereas the proportion used to pay premiums for existing coverage has declined.

An analysis of benefit payments to holders of matured endowments and of surrender values paid in April 1981 showed that 41% of matured endowment policy proceeds and 82% of the surrender values were paid to policyholders under age 65.

Men received 71.4% of the proceeds from matured endowments and 81.0% of the surrender values.

Whereas almost 84% of the proceeds from matured endowments were paid as a lump sum, more than 97% of the surrender values were paid that way.

Analysis of Payments of Matured Endowments And Surrender Values in the United States

	Matured Endowments				Surrender Values			
	Percent of Policies		Percent of Amount		Percent of Policies		Percent of Amount	
	April 1977	April 1981	April 1977	April 1981	April 1977	April 1981	April 1977	April 1981
SEX OF INSURED								
Male	63.7	58.7	72.4	71.4	70.0	70.0	81.4	81.0
Female	36.3	41.3	27.6	28.6	30.0	30.0	18.6	19.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AGE OF INSURED AT SETTLEMENT								
Under 25	19.0	21.9	8.6	9.5	20.1	15.2	7.4	5.8
25-34	3.3	4.7	1.5	2.1	25.3	27.9	13.6	14.8
35-44	5.0	5.7	2.6	2.7	16.3	20.8	14.5	18.2
45-54	5.4	3.6	4.3	3.2	13.8	13.8	18.5	19.1
55-64	22.3	18.0	26.1	23.3	12.9	12.6	24.9	23.6
65-74	36.7	34.4	50.9	51.8	7.1	6.5	14.9	13.0
75 or Older	8.3	11.7	6.0	7.4	4.5	3.2	6.2	5.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DURATION OF POLICY WHEN IT BECAME A CLAIM								
Under 1 Year	0.2	*	0.1	*	0.6	1.0	0.3	0.5
1 to 5 Years	0.5	0.4	0.4	1.1	19.8	17.1	10.5	10.8
5 to 10 Years	1.6	0.9	2.9	1.5	21.4	22.5	19.1	19.6
10 to 20 Years	22.0	16.2	25.7	22.2	25.5	26.6	31.1	31.2
20 to 30 Years	34.4	48.6	36.8	40.2	18.2	19.5	22.5	22.5
30 to 40 Years	27.4	19.1	24.3	23.3	7.0	7.4	9.0	8.9
40 or More Years	13.9	14.8	9.8	11.7	7.5	5.9	7.5	6.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
METHOD OF PAYING PROCEEDS								
Lump Sum	85.7	88.3	74.8	83.5	99.2	99.4	97.0	97.3
Life Income	3.1	2.4	6.8	7.4	0.5	0.2	1.8	1.7
Annuity Certain	0.5	0.4	1.4	0.9	*	*	0.2	0.1
Held at Interest	5.5	3.4	9.7	5.8	0.2	0.1	0.4	0.5
All Other	5.2	5.5	7.3	2.4	0.1	0.3	0.6	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Less than .05%.

Source: American Council of Life Insurance.

Benefit Payments Under Supplementary Contracts

The role of life insurance in providing security for a family is not necessarily limited to lump sum payment of a policy's proceeds. Settlement options are available from life insurance companies as alternatives to lump sum benefits. Instead of taking the policy's proceeds in cash, many policyholders and beneficiaries have been setting aside millions of dollars in benefits each year under annuity and other plans, or leaving them to draw interest until needed.

During 1982, Americans left $930 million of their life insurance proceeds with life insurance companies under supplementary contracts, compared to $950 million left with the companies the preceding year. Some of the contracts provided a regular income, either for specified periods or for life. With others, the funds were held at interest until called for by the policyholder or beneficiary, with interest being paid to them regularly.

The amount set aside with life companies under supplementary contracts amounted to 4% of all 1982 death payments, matured endowments and surrender value payments under ordinary and group life insurance policies. At the end of the year, the accumulated policy proceeds set aside under supplementary contracts amounted to $9.5 billion, $174 million more than the previous year. Life insurance companies paid out $1.4 billion in income from these accumulated funds during 1982.

Use of Life Insurance Benefits Under Supplementary Contracts

In the United States (000,000 omitted)

Year	Benefits Set Aside	Payments From Accumulated Funds	Year	Benefits Set Aside	Payments From Accumulated Funds
1945	$540	$ 295	1972	$ 870	$1,210
1950	680	520	1973	940	1,320
1955	780	720	1974	820	1,320
1960	760	970	1975	910	1,280
1965	920	1,110	1976	950	1,290
1966	920	1,180	1977	1,080	1,340
1967	940	1,190	1978	1,030	1,440
1968	890	1,240	1979	770	1,490
1969	840	1,310	1980	990	1,620
1970	790	1,290	1981	950	1,660
1971	870	1,220	1982	930	1,410

Source: American Council of Life Insurance.

Health Insurance Benefit Payments

A large share of private health insurance for Americans is provided by life insurance companies.

Health insurance has become an important aspect of the services of U.S. life companies. They paid $26.1 billion of the health insurance benefits to Americans in 1982, including $22.3 billion under group contracts and $3.8 billion under individual policies. Total health benefit payments by life companies have increased rapidly in recent years, rising by 49% since 1977. Much of this growth is attributable to the higher insurance benefit levels in the last several years.

Of the 1982 benefit payments, $20.6 billion was for medical expenses, including hospital and surgical expenses; over $3.4 billion for loss of income (including accidental death and dismemberment payments); and nearly $2.1 billion under dental policies.

These statistics do not include disability payments under life insurance policies and health insurance and accidental death and dismemberment payments by casualty and other health insuring companies, Blue Cross/Blue Shield and similar organizations.

Health Insurance Benefit Payments in the United States

Paid by Life Insurance Companies (000,000 omitted)

Year	Group	Individual	Total
1948	$ 225	$ 101	$ 326
1950	375	119	494
1955	1,064	326	1,390
1960	2,102	531	2,633
1965	3,572	841	4,413
1966	3,927	1,044	4,971
1967	4,306	1,046	5,352
1968	4,947	1,152	6,099
1969	5,746	1,128	6,874
1970	6,840	1,368	8,208
1971	7,721	1,343	9,064
1972	8,225	1,450	9,675
1973	8,820	1,480	10,300
1974	10,500	1,600	12,100
1975	12,410	1,910	14,320
1976	14,090	2,070	16,160
1977	15,230	2,240	17,470
1978	15,636	3,110	18,746
1979	17,525	3,068	20,593
1980	19,759	3,279	23,038
1981	21,049	3,425	24,474
1982	22,288	3,767	26,055

Note: Figures exclude policy dividends.

Sources: American Council of Life Insurance and Health Insurance Association of America.

MAJOR PENSION AND RETIREMENT PROGRAMS

Half of all full-time workers in commerce and industry in the United States and three-fourths of all government civilian personnel are now enrolled in retirement plans other than Social Security. Included are those enrolled in profit-sharing plans that provide retirement income. The number of participants is estimated to be over 50 million.

The term "coverage" with regard to pension plans differs from its use in life and health insurance. In life and health coverage, there is no difference between persons eligible for benefits and those who receive benefits under the specified conditions. The nature of a retirement contract, however, is such that it is difficult to determine the number of potential beneficiaries in relation to "covered" workers.

Unlike life insurance, which provides instant coverage, a private pension plan provides future benefits that generally are contingent on the employee's age and length of service. Also, dependents and survivors, who have only potential income from the plan, are not counted as covered until they actually begin receiving benefits.

However, as in the case of life and health insurance, an individual may be covered by several plans, usually by fulfilling the vesting qualifications under several plans and/or by having primary coverage and being the spouse of a person who is covered.

Private Pension Plans

Private pension plans are those established by private agencies including commercial, industrial, labor and service organizations, nonprofit organizations, nonprofit religious, educational and charitable institutions, and those set up by individuals who have no employment-related coverage.

Pension plans may be self-administered, placed with banks or trust companies, or insured with life insurance companies.

At the end of 1982, plans with life insurance companies covered 30.5 million persons and provided retirement income to 3.1 million individuals.

Government-administered Plans

Government-administered plans, including those for Federal civilian employees, state and local government employees and railroad workers, covered an estimated 20.5 million persons at year-end 1982. This figure includes some duplication of coverage under more than one plan; some individuals covered by government plans are also covered by one or more private plans and some individuals in the private sector also may have multiple coverage under private plans.

The most comprehensive government retirement program is the Federal Old-Age and Survivors Insurance (OASI) system, which is part of Social Security, a national social insurance program created in 1935. Some 166 million persons had Social Security earnings credits at the end of 1982. Over 149 million of these workers had been in the Social Security program long enough to be fully insured (i.e., if they were to die, the full range of survivor benefits would be available, or if they were age 62, they would qualify for retirement benefits).

Actuarially-funded retirement systems for civilian employees of the United States government cover 4.6 million persons.

The Railroad Retirement System, the only retirement system administered by the Federal government for a single private industry, covered 1.4 million persons at year-end 1982, including 1 million beneficiaries.

State and local government retirement systems covered 14.5 million persons at the end of 1982.

Number of Persons Covered by Major Pension and Retirement Programs

In the United States (000 omitted)

	Private Plans		Government-Administered Plans			
Year	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees†	State and Local Employees	OASI‡
1940	695	3,565	1,349	745	1,552	22,900
1945	1,470	5,240	1,846	2,928	2,008	41,070
1950	2,755	7,500	1,881	1,872	2,894	61,506
1955	4,105	12,290	1,876	2,333	3,927	74,887
1960	5,475	17,540	1,654	2,703	5,160	91,496
1965	7,040	21,060	1,661	3,114	6,780	103,827
1966	7,835	21,710	1,666	3,322	7,210	107,438
1967	8,700	22,330	1,641	3,499	7,594	110,746
1968	9,155	22,910	1,625	3,565	8,012	113,804
1969	9,920	24,410	1,620	3,627	8,303	116,904
1970	10,580	25,520	1,633	3,624	8,591	120,014
1971	10,880	26,580	1,578	3,596	9,079	122,735
1972	11,545	27,400	1,575	3,739	9,563	125,549
1973	12,485	28,700	1,582	4,040	9,850	129,045
1974	13,335	29,240	1,588	4,057	10,635	132,583
1975	15,190	30,300*	1,564	4,171	11,230	135,744
1976	16,965	N.A.	1,572	4,210	12,290	138,633
1977	19,205	N.A.	1,567	4,292	13,124	141,596
1978	21,615	N.A.	1,580	4,380	13,400*	144,260
1979	23,460	N.A.	1,567	4,398	13,680*	147,178
1980	26,080	N.A.	1,533	4,460	13,950*	153,634
1981	27,905	N.A.	1,483	4,566	14,230*	157,569
1982	30,540	N.A.	1,402	4,608	14,504	160,611

Notes: It is not possible to obtain a total for number of persons covered by pension plans by adding together the figures shown by year. Each series has been derived separately and there are differences in amount of duplication within each series and among the various series and also differences in definition of "coverage" among the series.

Private plans with life insurance companies include persons covered by Keogh plans, tax-sheltered annuities and, after 1974, IRA plans.

Data for "Other Private Plans," compiled by the Social Security Administration exclude plans for the self-employed, those having vested benefits but not presently employed at the firm where benefits were accrued, and also exclude an estimated number who have vested benefits from employment other than from their current employment.

These data represent various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year within each series are not affected. The number of persons covered include survivors or dependents of deceased workers and beneficiaries as well as retired workers. Retirement arrangements for members of the armed forces, and provisions for veterans' pensions, are not included.

N.A. = Not Available.

*Estimated.

†Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Authority Retirement System, the Foreign Service Retirement System, and the Retirement Plan for Employees of the Federal Reserve System, which includes the Bank Plan and the Board of Governors' plan.

‡Includes living workers insured for retirement and/or survivors benefits, including the self-employed, plus dependents of retired workers and survivors of deceased workers who are receiving periodic benefits.

Source: Compiled by the American Council of Life Insurance.

Assets and Reserves of Major Pension and Retirement Programs

In the United States (000,000 omitted)

Year	Private Plans		Government-Administered Plans			
	With Life Insurance Companies	Other Private Plans	Railroad Retirement	Federal Civilian Employees*	State and Local Employees	Old-Age, Survivors and Disability Insurance**
1950	$ 5,600	$ 6,452	$2,553	$ 4,343	$ 5,154	$13,721
1960	18,850	33,138	3,740	10,790	19,600	22,613
1965	27,325	59,185	3,946	16,516	33,100	19,841
1966	29,425	66,170	4,074	17,619	36,900	22,308
1967	32,000	74,240	4,236	18,799	41,500	26,250
1968	34,975	83,072	4,245	20,224	46,300	28,729
1969	37,900	90,579	4,347	21,600	51,800	34,182
1970	41,175	97,011	4,398	23,922	58,200	38,068
1971	46,400	106,419	4,300	26,532	64,800	40,434
1972	52,300	117,530	4,100	29,978	73,400	42,775
1973	56,085	126,531	3,800	32,283	82,700	44,414
1974	60,810	133,731	3,600	35,366	92,400	45,886
1975	72,210	145,166	3,100	39,248	103,700	44,342
1976	88,990	160,414	3,065	44,089	117,300	41,133
1977	101,520	181,509	2,584	50,832	130,800	35,861
1978	119,110	202,237	2,787	57,677	142,573	31,746
1979	139,180	223,465	2,611	65,914	161,649	30,291
1980	165,845	256,898	2,086	75,802	185,226	26,453
1981	192,730	N.A.	1,126	86,867	210,427	24,539
1982	228,900	N.A.	460	99,594	245,252	24,778†

Note: Some data are revised. These data are as of various dates during the year, since the fiscal years of the plans are not necessarily the same. Trends from year to year are not affected.

N.A. = Not Available.

*Includes members of the U.S. Civil Service Retirement System, the Tennessee Valley Retirement System, the Foreign Service Retirement System, and the Retirement System of the Federal Reserve Banks, which includes the Bank Plan and the Board of Governors' plan.

**Beginning in 1957, assets of Disability Insurance Trust Funds are included. Health and Supplementary Medical Insurance is not included.

†Includes funds borrowed from the Health Insurance Trust Fund.

Sources: Railroad Retirement Board; Social Security Administration, U.S. Department of Health and Human Services; Securities and Exchange Commission; other administrative agencies; and the American Council of Life Insurance.

Private Pension Plans with Life Insurance Companies

The number of Americans covered by pension plans with life insurance companies totaled 30.5 million at year-end 1982, an increase of 2.6 million over last year. This figure includes retired persons receiving pension benefits, those who have left employment with vested pension credits, and those still actively at work. There is some duplication due to persons being covered under more than one plan.

Pension reserves behind plans with life companies at year-end totaled $228.9 billion, an increase of 18.8% over year-end 1981, and more than four times greater than 10 years ago. These reserves include the funds behind pension plan variable annuities, which are based wholly or in part on equity investments.

Group annuities cover the largest number of persons under pension plans with life insurance companies. The traditional type is the deferred group annuity, under which a paid-up annuity is purchased each year for each employee, with the sum of these benefits paid as monthly income upon retirement. Deposit administration type plans set up a single fund for all employees in the pension group; money is withdrawn to buy an annuity for an employee when he retires. Immediate participation guarantee plans are a variation of this type, with participation in gains or losses from mortality and investments as they occur, rather than being spread over the life of the contract.

Under terminal funded plans, reserves are usually not set up with the insurance company until the employee is about to retire. Funding for the prospective pension prior to retirement may be handled in a variety of ways.

Individual policy pension trusts, group permanent plans, and profit-sharing plans—often used by smaller firms—were in effect for 2.0 million persons. Individual policy pension trusts usually involve the purchase of a whole life or endowment policy for each person to provide retirement benefits. Group permanent plans use whole life or endowment policies on a group basis keyed to retirement. Profit-sharing plans generally provide for an individual fund for each participant annually.

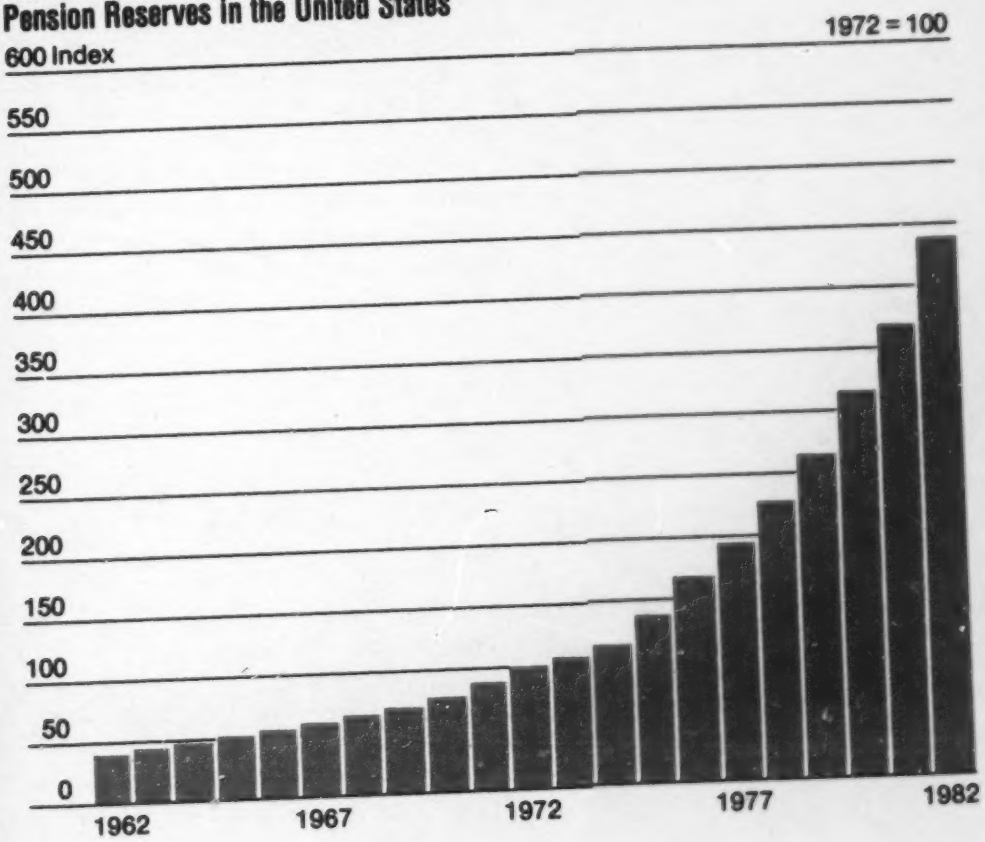
The Employee Retirement Income Security Act of 1974 (ERISA) allowed individuals to set up their own Individual Retirement Accounts (IRAs) if there was no private pension plan where they worked. By year-end 1981, 1,140,000 persons had set up such plans with life insurance companies, and the reserves for such plans amounted to $3.3 billion.

The Economic Recovery Act of 1981 raised contribution limits on Individual Retirement Accounts and extended IRA eligibility to persons covered by employer pension plans, as of January 1, 1982. During 1982 the number of IRAs with life insurance companies increased by 850,000, or 74.6%, and reserves increased by $2.5 billion to a total of $5.8 billion at year-end 1982.

In 1982, payments of $6.6 billion were made under life company pension plans to 3.1 million persons. Of this amount, $6.0 billion was paid to 2.7 million persons with group annuity and terminal funded plans, and $585 million to 395,000 persons having individual policy pension trusts, group permanent and other plans. The number of persons receiving payments has more than doubled in the past 10 years, and the total annual payments have more than tripled.

Legislation in most states allows life insurance companies to maintain separate investment accounts for a given pension plan or group of plans. More latitude in equity investments is permitted for separate accounts than for life insurance company investments generally. Pension reserves in separate accounts were $54.1 billion at the end of 1982, an increase of 30.7% over last year.

Relative Growth in Life Insurance Companies' Pension Reserves in the United States



Private Pension Plans in the United States With Life Insurance Companies

Type of Plan by Year	In Force at Year End				Pension Payments during Year		
	Number of Plans	Number of Persons Covered (000 omitted)	Total Reserves Including Separate Accounts (000,000 omitted)	Separate Account Reserves (000,000 omitted)	Payments into Plans in Year (000,000 omitted)	Number of Persons Receiving Payments (000 omitted)	Pension Payments (000,000 omitted)
1980							
Group Annuities†	91,370	19,225	$127,215	$30,230	$14,820	2,110	$4,240
Terminal Funded Group Plans	5,680	235	4,285	90	370	145	295
Individual Policy Pension Trusts‡ ...	204,300	2,150	7,585	650	1,480	135	175
HR 10 (Keogh) Plans ..	—	480	2,510	330	355	15	30
Tax-Sheltered Annuities	—	1,810	10,280	1,600	2,010	50	80
Individual Retirement Accounts	—	1,100	3,020	130	700	5	15
Other Plans	—	1,080	10,950	380	1,815	120	125
Total	—	26,080	$165,845	$33,410	$21,550	2,580	$4,960
1981							
Group Annuities†	104,550	20,600	$146,515	$37,290	$14,505	2,310	$4,995
Terminal Funded Group Plans	5,870	260	4,790	590	570	160	340
Individual Policy Pension Trusts‡ ...	232,930	2,195	8,105	680	1,455	140	180
HR 10 (Keogh) Plans ..	—	485	2,680	310	380	15	35
Tax-Sheltered Annuities	—	1,970	12,815	1,960	3,450	50	95
Individual Retirement Accounts	—	1,140	3,320	150	655	10	15
Other Plans	—	1,255	14,510	390	3,975	130	150
Total	—	27,905	$192,735	$41,370	$24,990	2,815	$5,810
1982							
Group Annuities†	107,980	22,025	$172,125	$48,600	$14,970	2,500	$5,560
Terminal Funded Group Plans	6,140	305	5,425	1,050	600	190	410
Individual Policy Pension Trusts‡ ...	235,580	1,975	8,215	880	1,340	140	185
HR 10 (Keogh) Plans ..	—	485	2,830	390	420	15	35
Tax-Sheltered Annuities	—	2,230	15,675	2,370	3,280	55	125
Individual Retirement Accounts	—	1,990	5,800	350	2,380	10	20
Other Plans	—	1,530	18,830	450	3,310	175	220
Total	—	30,540	$228,900	$54,090	$26,300	3,085	$6,555

†Includes Immediate Participation Guarantee and Deposit Administration plans.

‡Includes Group Permanent plans and profit-sharing plans.

Source: American Council of Life Insurance.

LAPSES AND SURRENDERS

The overall voluntary termination rate of ordinary life insurance policies in 1982 was 10.0%. The rate for older policies is significantly lower than for newer ones. The rate for policies in force less than two years was 24.4%; for those in force for two years or longer it was 7.6%.

In 1982, a total of $10.8 billion in cash values was paid to owners of life insurance policies. This figure does not include cash values used to obtain paid-up life insurance in a reduced amount or extended coverage for a specified period of time.

Policyholders have different reasons for terminating their policies; sometimes they use cash values to meet financial emergencies or in accordance with long-term goals. Also, in periods of inflation policy lapses increase. In 1982 three other factors contributed to the record termination rates: the high unemployment rate; the expanded eligibility for Individual Retirement Accounts; and the availability of newer life insurance products, for which older policies were exchanged.

Rates of voluntary policy termination by policyholders vary considerably among life insurance companies. Each company's rate depends upon many factors, including the types of policies written and the ratio of new policies to older ones in force with the company.

The life insurance business strongly seeks to minimize the lapsing of policies. For example, the training of agents focuses on realistic identification of the life insurance needs of clients and the careful analysis of the use of family income for protection purposes. Since there is a higher termination rate of policies on which loans are outstanding, companies urge that loans be used only in genuine financial emergencies, and that they be promptly repaid.

Most companies offer policyholders time after delivery of the policy in which to consider whether to keep the policy. These companies will refund the premium in full if, within the prescribed time, the policyholder decides not to keep the policy.

Voluntary Termination Rate

Ordinary Policies in Force in the United States

Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force	Year	Policies In Force Less Than 2 Years	Policies In Force 2 Years or More	All Policies In Force
1951	9.4%	2.2%	3.2%	1973	18.8%	4.3%	6.3%
1955	11.4	2.5	3.8	1974	19.5	4.5	6.5
1960	14.5	3.7	5.2	1975	20.9	4.5	6.7
1965	15.4	3.5	5.1	1976	19.7	4.6	6.6
1966	16.2	3.5	5.2	1977	19.5	4.7	6.6
1967	16.5	3.6	5.2	1978	19.6	4.6	6.6
1968	18.0	3.7	5.5	1979	21.0	5.1	7.2
1969	18.3	3.7	5.6	1980	22.4	5.8	8.1
1970	19.3	3.9	5.9	1981	23.5	6.6	8.9
1971	19.0	3.9	5.8	1982	24.4	7.6	10.0
1972	19.3	3.9	6.0				

Note: The rate is the ratio of the number of policies lapsed or surrendered to the mean number of policies in force.

Source: American Council of Life Insurance.

INCOME OF LIFE INSURANCE COMPANIES

Life insurance companies receive funds from two main sources: premiums paid by policyholders and earnings on investments.

There is a close relationship between these income elements. Part of each premium payment becomes available for investment in the nation's economy. In calculating premiums, the anticipated investment earnings are taken into account, thereby reducing the price of life insurance to policyholders.

In 1982, total income of all U.S. life companies was $166.1 billion; 71% was from premium receipts and 27% from investment earnings. The remaining 2% came from other sources, mainly considerations (payments) for supplementary contracts.

Premium receipts and annuity considerations totaled $118.1 billion. Americans spent the equivalent of 3.83% of total disposable personal income in 1982 for life insurance and annuities, compared with 3.55% during 1981.

Income of U.S. Life Insurance Companies (000,000 omitted)

	Premium Receipts						
Year	Life Insurance Premiums	Annuity Considerations	Health Insurance Premiums*	Total Premium Receipts	Investment Income**	Other Income†	Total Income
1911	$ 626	$ 4	—	$ 630	$ 182	$ 24	$ 836
1915	776	6	—	782	241	20	1,043
1920	1,374	7	—	1,381	341	42	1,764
1925	2,340	38	—	2,378	551	89	3,018
1930	3,416	101	—	3,517	891	186	4,594
1935	3,182	491	—	3,673	1,013	386	5,072
1940	3,501	386	—	3,887	1,231	540	5,658
1945	4,589	570	—	5,159	1,445	1,070	7,674
1950	6,249	939	$ 1,001	8,189	2,075	1,073	11,337
1955	8,903	1,288	2,355	12,546	2,801	1,197	16,544
1960	11,998	1,341	4,026	17,365	4,304	1,338	23,007
1965	16,083	2,260	6,261	24,604	6,778	1,785	33,167
1970	21,679	3,721	11,367	36,767	10,144	2,143	49,054
1971	22,935	4,910	12,897	40,742	11,031	2,429	54,202
1972	24,678	5,503	14,318	44,499	12,127	2,222	58,848
1973	26,373	6,771	15,524	48,668	13,670	2,415	64,753
1974	27,750	7,737	17,123	52,610	15,144	2,256	70,010
1975	29,336	10,165	19,074	58,575	16,488	2,959	78,022
1976	31,358	13,962	21,059	66,379	18,758	3,421	88,558
1977	33,765	14,974	23,580	72,319	21,713	3,953	97,985
1978	36,592	16,339	25,829	78,760	25,294	4,152	108,206
1979	39,083	17,939	27,894	84,916	29,562	4,661	119,139
1980	40,829	22,429	29,366	92,624	33,928	4,336	130,888
1981	45,674	26,287	31,683	103,644	39,773	3,733	147,150
1982	49,464	33,652	34,960	118,076	45,532	2,467	166,075

Note: Some data are revised. Considerations for supplementary contracts with and without life contingencies are included under "Other Income." Prior to 1947, the business of health departments was not included.

*Includes some premiums for Workers' Compensation and auto and other liability insurance.

** Beginning with 1951, investment income is net of investment expenses.

†Beginning in 1975, "Other Income" includes commissions and expense allowance on reinsurance ceded. In 1975, this amounted to $382 million.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Some 42% of all premium receipts in 1982 was accounted for by life insurance. This proportion has declined in relation to the income received from annuities and health insurance. In 1962, the proportion was 68%; by 1972 the proportion had dropped to 56%.

Premium Receipts

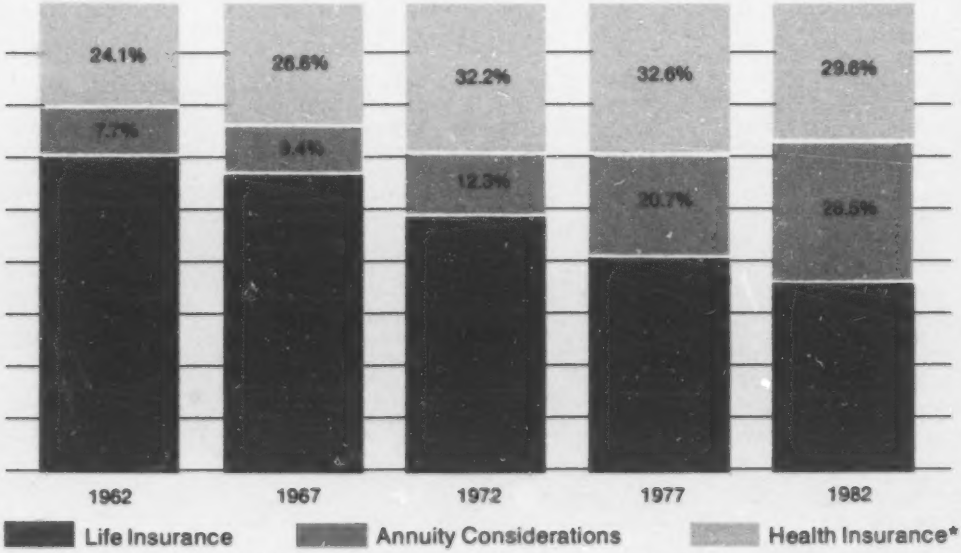
U.S. Life Insurance Companies (000,000 omitted)

	1978	1979	1980	1981	1982
LIFE INSURANCE PREMIUMS					
Ordinary	$26,341	$27,970	$29,463	$ 33,960	$ 37,034
Group	7,285	8,007	8,508	8,939	9,434
Industrial	1,280	1,320	1,323	1,221	1,484
Credit	1,686	1,786	1,535	1,554	1,512
Total Life Insurance Premiums	36,592	39,083	40,829	45,674	49,464
ANNUITY CONSIDERATIONS					
Individual	4,454	4,976	6,296	10,091	14,936
Group	11,885	12,963	16,133	16,196	18,716
Total Annuity Considerations	16,339	17,939	22,429	26,287	33,652
HEALTH INSURANCE PREMIUMS					
Individual	5,505	6,081	6,366	6,531	7,168
Group	19,382	20,838	22,262	24,317	26,930
Credit	942	975	738	835	862
Total Health Insurance Premiums	25,829	27,894	29,366	31,683	34,960
Total Premium Receipts	$78,760	$84,916	$92,624	$103,644	$118,076

Note: Some data are revised. Credit life insurance is limited to insurance on loans of 10 years' or less duration.

Source: American Council of Life Insurance.

Distribution of Premium Receipts of U.S. Life Insurance Companies



*Includes some premiums for Workers' Compensation and auto and other liability insurance.

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Ratio of Premiums and Annuity Considerations to Disposable Personal Income

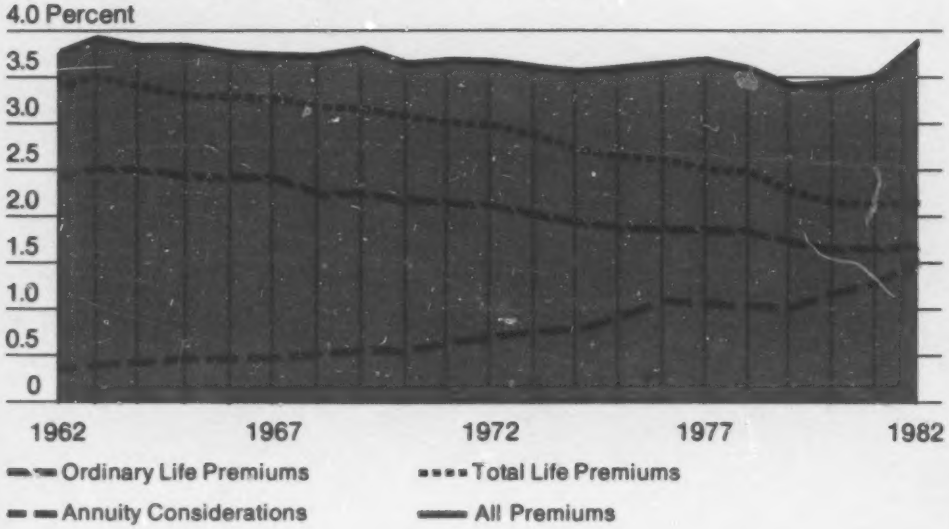
Year	Ordinary Life Premiums	Total Life Insurance Premiums	Annuity Considerations	Total
1929	N.A.	3.95%	.11%	4.06%
1930	N.A.	4.63	.14	4.76
1935	N.A.	5.44	.93	6.37
1940	3.36%	4.65	.51	5.16
1945	2.18	3.08	.38	3.46
1950	2.17	3.02	.45	3.48
1955	2.27	3.24	.47	3.71
1960	2.46	3.41	.38	3.79
1965	2.46	3.38	.48	3.86
1970	2.25	3.12	.54	3.65
1971	2.20	3.05	.65	3.70
1972	2.18	3.05	.68	3.72
1973	2.05	2.88	.74	3.62
1974	1.99	2.78	.77	3.55
1975	1.92	2.68	.93	3.60
1976	1.68	2.63	1.17	3.79
1977	1.84	2.57	1.14	3.72
1978	1.80	2.50	1.12	3.62
1979	1.70	2.38	1.09	3.47
1980	1.62	2.24	1.23	3.47
1981	1.67	2.25	1.30	3.55
1982	1.70	2.28	1.55	3.83

Note: Credit life premiums were included in the "Ordinary Life" category in years prior to 1973. Beginning with 1973, credit life insurance premiums on loans of 10 years' or less duration are excluded. The sum of "Total Life Insurance Premiums" and "Annuity Considerations" may not add to "Total" in some cases, due to rounding.

N.A. = Not available.

Sources: U.S. Department of Commerce, *Spectator Year Book* and American Council of Life Insurance.

Ratio of Premiums to Disposable Personal Income



Ordinary policy premiums accounted for $37.0 billion, or 75% of the life insurance premiums in 1982. Most ordinary premiums, 76%, were renewals. Group insurance premiums amounted to nearly $9.5 billion, or 19%, while industrial premiums accounted for $1.5 billion, or 3%. Credit life premiums totaled $1.5 billion, or 3%.

Annuity considerations totaled $33.6 billion, or 28% of total premium income in 1982. These payments have grown rapidly as a proportion of total premium receipts, especially since enactment of the Federal pension legislation in 1974. In 1962, the proportion was 8%, and by 1972 it grew to 12%. Significant increases in 1975 and 1976 were due primarily to large inflows of funds for group annuity contracts and for new issues of individual annuities. The amount of first-year considerations for individual annuities in 1982 was $2.9 billion. Total considerations were equal to 1.55% of disposable personal income in 1982, compared with 1.30% in 1981.

Health insurance premiums accounted for $35.0 billion, or 30% of total premiums in 1982, a slightly smaller percentage than 10 years earlier.

Ordinary Life Insurance Premium Receipts

U.S. Life Insurance Companies (000,000 omitted)

	First Year	Single	Renewal	Total
1969	$1,758	$ 784	$12,291	$14,833
1970	1,869	843	12,951	15,663
1971	1,985	955	13,627	16,567
1972	2,196	1,087	14,418	17,701
1973	2,380	1,033	15,345	18,758
1974	2,575	1,136	16,112	19,823
1975	2,705	1,244	17,083	21,032
1976	3,034	1,359	18,099	22,492
1977	3,314	1,482	19,365	24,161
1978	3,668	1,730	20,943	26,341
1979	4,019	1,851	22,100	27,970
1980	4,520	2,183	22,760	29,463
1981	5,927	2,242	25,791	33,960
1982	5,948	2,935	28,151	37,034

Note: Some data are revised. Credit life premiums were included in data for 1969-1972. Beginning with 1973, credit life insurance premiums on loans of 10 years' or less duration are excluded.

Source: American Council of Life Insurance. Premium information on a slightly different basis was collected for the years 1957-1968 by the Life Insurance Marketing and Research Association.

Premium Receipts of U.S. Life Insurance Companies by State (000,000 omitted)

	1980		1981		1982	
	Life	Health	Life	Health	Life	Health
Alabama	$ 648	$ 456	$ 680	$ 491	$ 713	$ 528
Alaska	58	48	63	48	71	74
Arizona	406	421	437	450	465	498
Arkansas	257	202	275	225	300	257
California	3,385	3,228	3,665	3,473	3,873	3,782
Colorado	527	376	564	458	607	534
Connecticut	646	450	674	466	727	516
Delaware	145	71	139	72	155	79
D.C.	170	178	185	203	204	270
Florida	1,528	1,332	1,657	1,544	1,842	1,795
Georgia	928	764	995	843	1,056	921
Hawaii	186	58	197	69	211	71
Idaho	130	81	141	88	146	94
Illinois	2,205	2,076	2,284	2,223	2,372	2,425
Indiana	954	768	975	800	1,016	856
Iowa	577	381	607	415	634	444
Kansas	427	259	458	271	483	328
Kentucky	475	312	497	341	518	361
Louisiana	742	560	817	657	873	758
Maine	150	112	156	127	161	143
Maryland	721	409	761	446	808	477
Massachusetts	918	575	994	650	1,046	732
Michigan	1,431	1,319	1,447	1,213	1,499	1,170
Minnesota	628	537	683	591	708	671
Mississippi	310	312	330	332	342	384
Missouri	820	745	863	814	895	939
Montana	114	88	121	97	126	105
Nebraska	321	245	340	283	353	323
Nevada	123	146	133	166	144	177
New Hampshire	144	76	155	86	162	99
New Jersey	1,450	841	1,522	977	1,585	1,061
New Mexico	177	144	194	161	209	183
New York	3,133	2,011	3,311	2,316	3,433	2,639
North Carolina	955	654	1,016	720	1,076	787
North Dakota	105	56	113	60	120	67
Ohio	1,906	1,461	1,951	1,395	2,036	1,491
Oklahoma	455	374	505	429	551	497
Oregon	354	276	378	290	382	325
Pennsylvania	2,040	1,097	2,120	1,204	2,209	1,263
Rhode Island	178	53	182	58	189	63
South Carolina	480	309	516	342	556	390
South Dakota	112	99	120	114	127	130
Tennessee	710	565	748	616	786	688
Texas	2,286	2,236	2,524	2,413	2,720	2,648
Utah	190	139	208	151	226	180
Vermont	74	41	79	45	83	54
Virginia	883	494	938	555	991	616
Washington	550	366	590	384	617	421
West Virginia	257	210	269	227	279	254
Wisconsin	722	601	762	661	802	713
Wyoming	73	62	84	76	88	83
Total U.S.	$37,164	$28,676	$39,423	$31,136	$41,575	$34,364

Source: American Council of Life Insurance.

Earning Rate

The net rate of investment income on invested assets of life insurance companies rose to 8.91% in 1982 from 8.57% in 1981. This rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses but before Federal income taxes.

Investment income is largely interest income on bonds and mortgage loans, dividends on stocks, and rent on real estate owned. Capital gains or losses are excluded from investment income.

The increase of 34 basis points in the portfolio rate of investment income in 1982 compares to a rise of 55 basis points in 1981.

Many life companies maintain separate investment accounts for various life insurance and retirement plans. At year-end 1982, common stocks were 35.9% of separate account assets, down from 38.3% at the end of 1981.

Excluding the separate accounts, the portfolio rate of the general accounts averaged 8.87% in 1982, the second year this rate was below the rate for the combined accounts. The general account rate of income improved 34 basis points from 1982, the same as for the combined accounts.

Net Rate of Investment Income

U.S. Life Insurance Companies

Year	Rate	Year	Rate
1915	4.77%	1940	3.45%
1920	4.83	1945	3.11
1925	5.11	1950	3.13
1930	5.05	1955	3.51
1935	3.70	1960	4.11

	Rate			Rate	
	Including Separate Accounts	Excluding Separate Accounts		Including Separate Accounts	Excluding Separate Accounts
1965	4.61%	4.61%	1974	6.25%	6.31%
1966	4.73	4.73	1975	6.36	6.44
1967	4.82	4.83	1976	6.55	6.68
1968	4.95	4.97	1977	6.89	7.00
1969	5.12	5.15	1978	7.31	7.39
1970	5.30	5.34	1979	7.73	7.78
1971	5.44	5.52	1980	8.02	8.06
1972	5.56	5.69	1981	8.57	8.53
1973	5.88	6.00	1982	8.91	8.87

Note: The net rate of investment income is calculated using industry aggregates, and represents the ratio of (1) net investment income to (2) mean invested assets (including cash) less half the net investment income. Before 1940, some Federal income taxes were deducted from net investment income; beginning with 1940, the rates are calculated before deducting any Federal income taxes.

Source: American Council of Life Insurance.

THE LIFE INSURANCE DOLLAR

The financial transactions of life insurance companies may be best summarized if expressed in terms of a single dollar of income received and expended. This composite dollar represents the total for the business as a whole, and the pattern will be different for individual companies or groups of companies, depending on types of business written, age and type of company and many other factors.

The major proportion of each composite dollar of income received by U.S. life insurance companies is accounted for by premiums and annuity considerations. In 1982 premiums paid for life and health insurance policies and payments for annuities accounted for 71.5 cents. The remainder of the composite dollar consisted chiefly of earnings on investments and accounted for 28.5 cents.

These proportions vary significantly by each line of business. The major share for all lines comes from premiums, but for the life insurance and annuity lines a large proportion comes from investment earnings. Data for 1981 (the latest year for which information is available) show that investment earnings accounted for 30.0 cents of each life insurance income dollar and 41.7 cents of each annuity income dollar.

The proportions of premium income and investment earnings vary significantly by type of life insurance company. For mutual companies the proportion of the company dollar represented by insurance premiums and annuity considerations was 62.3 cents in 1982 and investment earnings and other income accounted for 37.7 cents. For stock companies, insurance premiums and payments for annuities accounted for 78.2 cents of the combined company dollar, while the balance, chiefly investment earnings, represented 21.8 cents.

Life Insurance Company Dollar 1982

U.S. Life Insurance Companies

INCOME	
Premiums	71.5¢
Net Investment Earnings and Other Income	28.5
	100.0¢
HOW USED	
Benefit Payments and Additions to Funds for Policyholders and Beneficiaries	
Benefit Payments in Year	46.6¢
Additions to Policy Reserve Funds	32.4
Additions to Special Reserves and Surplus Funds	1.9
	80.9
Operating Expenses	
Commissions to Agents	6.1
Home and Field Office Expenses	9.6
	15.7
Taxes	2.3
Dividends to Stockholders of Stock Life Insurance Companies	1.1*
	100.0¢

Note: Certain offsetting items such as considerations for supplementary contracts are excluded, so that the total used ($160,942 million) differs from that shown on page 55. Direct investment taxes (such as real estate) are excluded from taxes and are deducted, with other investment expenses, from investment income. Federal income taxes, however, are included in taxes.

*For stock companies only this ratio would be 2.0¢ per dollar.

Source: American Council of Life Insurance.

Portions of premium income and investment earnings also differ by size of company. Larger companies generally receive a greater share of their income dollar from investment income.

In 1982, mutual life insurance companies with $500 million or more in assets as of 1980 received 61.7 cents of their income dollar from premiums and 38.3 cents from investment earnings and other income; whereas mutual companies with under $500 million in assets as of 1980, received 75.2 cents from premiums and 24.8 cents from investments and other income.

For stock life insurance companies, the proportion of the 1982 income dollar represented by premiums and annuity considerations was 71.3 cents for companies with assets of $500 million or more as of 1980 and 86.1 cents for companies with under $500 million in assets as of 1980.

Of the 1982 industry outgo dollar, 80.9 cents was assigned to meet current or future obligations. That included 46.6 cents paid in benefits to policyholders or to beneficiaries during the year, 32.4 cents added to policy reserves for future benefit payments and 1.9 cents added to special reserves and surplus funds. Current benefits were 45.9 cents of the mutual company outgo dollar in 1982, compared with 47.1 cents of the stock company dollar.

The outgo dollar also varies by major line of business. For the life insurance line, 46.3% of the income in 1981 (the latest year for which data are available) was needed for benefits and 29.1% was added to reserves. The annuity line set aside 65.6% for reserves, while the health line needed 73.2% of income to pay claims and policy dividends.

Operating expenses based on industry aggregates rose from the previous year to 15.7 cents. This proportion had remained about the same for several decades. Its decline during the past five years reflected the expansion of the annuity field; annuities have lower sales expenses. The rise in 1982 was due to a large increase in sales of the newer life insurance products. Included in the 1982 figure were 9.6 cents for expenses of home and field offices and 6.1 cents for commissions to agents.

The expense share, as measured by this analysis, applies to the entire life insurance business, and not to any single company. The proportions vary widely among companies, depending on such factors as the types of coverage offered by a given company and its ratio of recently issued insurance to its total insurance in force. Expenses are relatively higher for new policies because the initial costs of issuing and selling a policy are higher than those of maintaining older policies.

A total of 2.3 cents was used for taxes (not including taxes directly connected with investment, such as real estate taxes). Nearly 40% of this total was set aside for Federal income taxes. On an overall dollar basis, stock dividends to shareholders amounted to 1.1 cents. For mutual life insurance companies, of course, this amounted to zero; for stock life companies, dividends to shareholders amounted to 2.0 cents of the outgo dollar.

TAXES

U.S. life insurance companies incurred Federal, state and local government taxes, licenses and fees of $4.4 billion on their 1982 operations. Most of the taxes incurred on life company operations in 1981 were paid in that year, but some were carried over to 1982.

The largest portion of total taxes was Federal income taxes. Under company income tax legislation enacted in 1959, the Federal income taxes of life insurance companies had increased sharply for 20 years, reaching $3.3 billion in 1979. Over that period, the share of corporate taxes paid by life companies grew from 2.4% to 4.2%.

In 1980 and 1981, Federal taxes declined as companies made increasing use of certain reinsurance transactions. At the same time, the industry asked Congress for a complete revision of the 1959 Act to correct serious flaws revealed in it by the inflation of the 1970s. Wanting additional time to study the complex issue, Congress in mid-1982 enacted stopgap legislation which expires at the end of 1983. The Federal income taxes incurred by companies in 1982 were affected generally by the sluggish economy but more particularly by heavy losses in group health insurance.

The Federal income taxes reported are taken from annual statements rather than from income tax returns. They are based on cash payments for the year plus the change in tax reserves (estimated liabilities) during the year. The reserves companies held at year-end 1981 proved to be overstated. Therefore, 1981 tax returns produced taxes that were $500 million less than the annual statement estimates had been. For the same reason, the 1982 tax returns should produce taxes that are higher than annual statement tabulations. In fact, 1982 Federal income taxes will be larger than 1981 Federal income taxes were.

The second largest item in the life companies' tax bill was state premium taxes, which amounted to $1.4 billion for 1982.

The life insurance companies' share of Social Security taxes rose to $629 million in 1982. Real estate taxes were $402 million. Other taxes, licenses and fees amounted to $354 million.

Taxes, Licenses and Fees of U.S. Life Insurance Companies (000,000 omitted)

Year	State Taxes on Premiums	Federal Social Security Taxes	Federal Income Taxes	Real Estate Taxes	Other Taxes, Licenses and Fees	Total
1947	$ 100	$ 7	$ 23	$ 17	$ 20	$ 167
1950	123	12	20	27	23	205
1955	189	26	189	39	29	472
1960	270	53	479	68	50	920
1965	396	77	741	98	63	1,375
1970	568	159	1,232	149	96	2,204
1971	660	178	1,451	172	121	2,582
1972	708	198	1,544	198	142	2,790
1973	766	249	1,803	207	157	3,182
1974	785	280	1,915	224	174	3,378
1975	840	299	1,910	282	188	3,519
1976	914	321	2,209	291	219	3,954
1977	1,000	345	2,526	312	248	4,431
1978	1,077	389	2,994	336	282	5,078
1979	1,131	449	3,269	286	331	5,466
1980	1,177	493	2,551	317	306	4,844
1981	1,256	588	1,774	324	295	4,237
1982	1,402	629	1,580	402	354	4,367

Note: Before 1972, taxes, licenses and fees shown are on a paid basis. Beginning with 1972, these items are on an incurred basis.

Source: American Council of Life Insurance.

RESERVES AND OTHER OBLIGATIONS

Policy reserves of U.S. life insurance companies totaled $479.4 billion at the end of 1982. These reserves represent the funds set aside to meet the companies' future obligations to policyholders and their beneficiaries.

Each company is required by state law to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. The amount is calculated on an actuarial basis, taking into account the funds forthcoming from future premium payments, assumed future interest earnings and expected mortality experience.

Total reserves of the life companies at the end of 1982 included $213.8 billion for life insurance policies, $13.2 billion for health insurance policies and over $252.4 billion for annuities and supplementary contracts involving both lifetime payments and payments that are for specified periods or in designated amounts.

Life insurance policy reserves consisted of $190.2 billion for ordinary life policies, $9.8 billion for group policies, nearly $12.6 billion for industrial life policies, and $1.2 billion for credit life policies.

Annuity reserves consisted of $51.0 billion for individual annuities, $191.9 billion for group annuities and over $5.6 billion for life annuities under supplementary contracts with life contingencies.

Policy Reserves

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 670	1910	$3,226	1925	$ 9,927	1940	$27,238
1900	1,443	1915	4,399	1930	16,231	1945	38,667
1905	2,295	1920	6,338	1935	20,404	1950	54,946

			Annuities				
Year	Life Insurance	Health Insurance	Individual	Group	Supplementary Contracts With Life Contingencies	Supplementary Contracts Without Life Contingencies	Total
1955	$ 54,588	$ 575	*	$ 13,216	$1,895	$5,085	$ 75,359
1960	70,791	865	$ 4,327	14,952	2,674	4,864	98,473
1965	90,795	1,432	5,028	22,187	3,281	4,897	127,620
1970	115,442	3,474	6,951	34,009	3,726	4,177	167,779
1971	121,585	3,892	7,655	38,476	3,905	4,136	179,649
1972	128,257	4,347	8,560	43,503	3,937	4,155	192,759
1973	135,292	4,910	9,482	46,607	4,066	4,164	204,521
1974	142,273	5,607	10,511	49,861	4,176	4,079	216,507
1975	150,063	6,293	12,442	59,907	4,280	4,131	237,116
1976	158,359	6,962	15,347	73,393	4,410	4,304	262,775
1977	167,281	8,329	18,932	84,285	4,563	4,542	287,932
1978	177,743	9,596	23,057	98,673	4,751	4,663	318,483
1979	188,177	10,416	27,103	116,443	4,985	4,513	351,637
1980	197,865	11,015	31,543	140,417	5,215	4,284	390,339
1981	206,986	11,931	38,800	160,992	5,364	3,958	428,031
1982	213,783	13,181	51,002	191,898	5,654	3,842	479,360

Note: Before 1947, the business of health insurance departments of life companies was not included in this series.

*Included with "Group Annuities."

Sources: *Spectator Year Book* and American Council of Life Insurance.

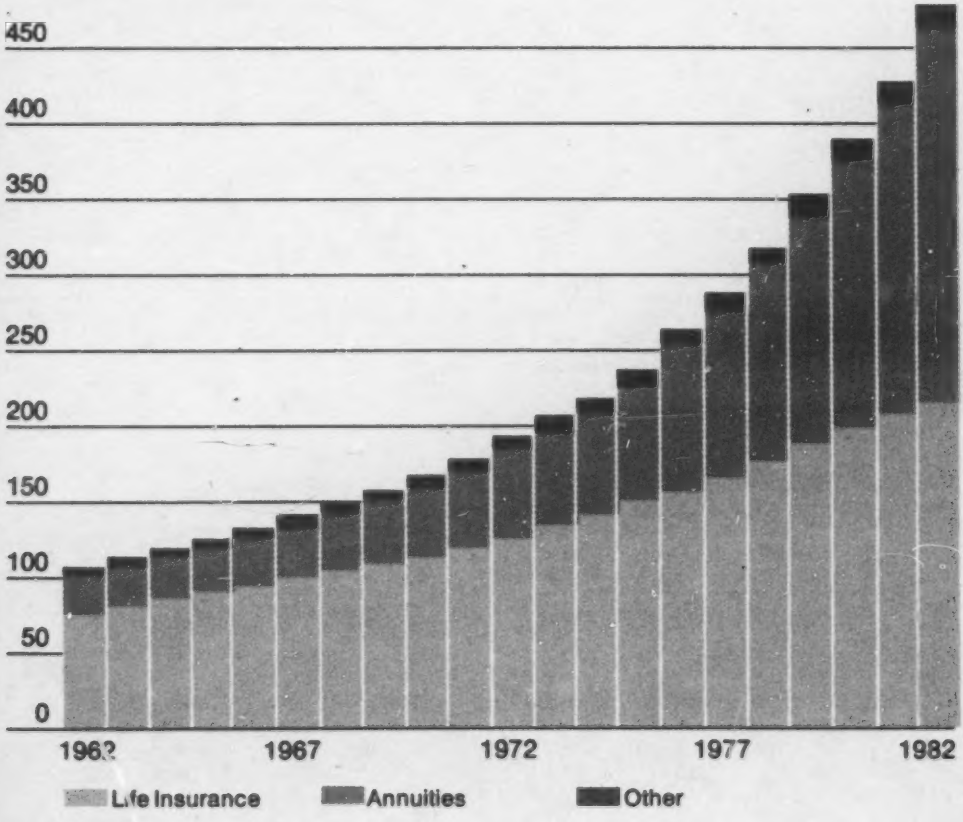
The composition of life company policy reserves has been changing over the years, reflecting a shift in the basic types of business done by life companies. Life insurance policy reserves still account for the major proportion, but it is declining in relation to the proportion of reserves set aside for annuity contracts. In 1962, life insurance reserves were 72% of the total. By 1972, the proportion was 67%, and, by 1982, it had dropped to 45%. In the same period, annuity reserves increased from 23% in 1962 to 29% in 1972 and to 52% at the end of 1982. Most of the increase in annuity reserves is a result of the growth of pension plans administered by life insurance companies.

In addition to policy reserves, other funds of U.S. life insurance companies at the end of 1982 included $13.7 billion in accumulated policy dividends left with the life insurance companies at interest; some $8.9 billion set aside for the following year's policy dividend payments; and $44.7 billion for other obligations such as incurred expenses, mandatory reserves for fluctuations in security values and insurance premiums paid in advance.

Growth of Policy Reserves

U.S. Life Insurance Companies

500 Billions of Dollars



Included in reserves and obligations at the end of 1982 was $56.7 billion in separate investment accounts, used for certain types of pension plans and for variable annuities.

Surplus funds amounted to $39.1 billion at the end of 1982. These funds provided extra reserve safeguards for such contingencies as an unexpected rise in death rates among policyholders, for unusual changes in the value of securities, or as general protection for policy obligations. The amount of surplus retained by a life company depends on several factors including the size of the company, kinds of insurance written, mortality experience, general business conditions and government regulation.

Total capital of life insurance companies owned by stockholders was over $2.3 billion at the end of 1982. This amount represents the total par value of the shares of the companies' capital stock.

Stock life companies accounted for $259.4 billion, or 44% of the total reserves of all U.S. life insurance companies in 1982. Reserves of mutual life companies amounted to $328.8 billion, or 56% of the total.

Life Insurance Policy Reserves by Type

U.S. Life Insurance Companies (000,000 omitted)

Year	Ordinary	Group	Industrial	Credit	Total
1956	$ 47,429	$ 787	$ 9,446	—	$ 57,662
1960	58,897	1,267	10,627	—	70,791
1965	76,865	2,011	11,919	—	90,795
1970	100,076	3,093	12,273	—	115,442
1975	132,032	4,995	12,336	700	150,063
1976	139,356	5,648	12,635	720	158,359
1977	147,414	6,415	12,624	828	167,281
1978	156,862	7,219	12,627	1,035	177,743
1979	166,106	8,132	12,682	1,257	188,177
1980	175,250	8,818	12,622	1,175	197,865
1981	185,771	9,379	12,636	1,200	206,986
1982	190,241	9,766	12,548	1,228	213,783

Note: "Credit" life insurance is limited to insurance on loans of 10 years' or less duration. Prior to 1973, all credit insurance was included in the "Ordinary" and "Group" categories.

Source: American Council of Life Insurance.

Obligations and Surplus Funds

U.S. Life Insurance Companies (000,000 omitted)

Year	Policy Reserves	Policy Dividend Accumulations	Funds Set Aside for Policy Dividends	Other Obligations	Surplus Funds	Capital (Stock Companies)	Total
1952	$ 62,579	$ 1,675	$ 841	$ 3,004	$ 4,684	$ 372	$ 73,375
1955	75,359	2,239	1,201	4,625	6,475	533	90,432
1960	98,473	3,381	1,780	6,268	8,827	847	119,576
1965	127,620	4,326	2,647	10,455	12,468	1,368	158,884
1970	167,779	6,068	3,540	12,544	15,651	1,672	207,254
1975	237,116	8,814	4,875	17,936	18,635	1,928	289,304
1976	262,775	9,633	5,252	21,881	20,077	1,934	321,552
1977	287,932	10,427	5,839	23,907	21,669	1,948	351,722
1978	318,483	11,319	6,380	27,495	24,285	1,962	389,924
1979	351,637	12,112	7,158	31,372	28,023	1,980	432,282
1980	390,339	12,727	7,659	34,127	32,274	2,084	479,210
1981	428,031	13,261	8,355	38,734	35,211	2,211	525,803
1982	479,360	13,706	8,914	44,732	39,105	2,346	588,163

Source: American Council of Life Insurance.

LIFE INSURANCE ASSETS

Assets of U.S. life insurance companies, including those held in separate accounts, totaled $588.2 billion at the end of 1982, an increase of 11.9% during the year compared to an increase of 9.7% in the previous year.

The growth in assets in 1982 was a result of the substantial inflows of $58.2 billion in new funds. By comparison, new funds in 1981 amounted to $50.0 billion. The rapid expansion of the group and individual annuity business in recent years has been a major factor contributing to recent asset growth. Also contributing to asset growth in 1982 was further improvement in investment income.

Assets of life insurance companies, largely comprised of financial instruments, are used to back life insurance and annuity reserves and have been primarily built up from policyholders' premiums and investment earnings. Investments of life companies are an important source of capital in America's economy. Net investments in U.S. capital markets by life insurance companies totaled $41.4 billion in 1982. Life insurance ranked second among private domestic institutional sources of funds, supplying 8.2% of the total funds flowing into financial markets.

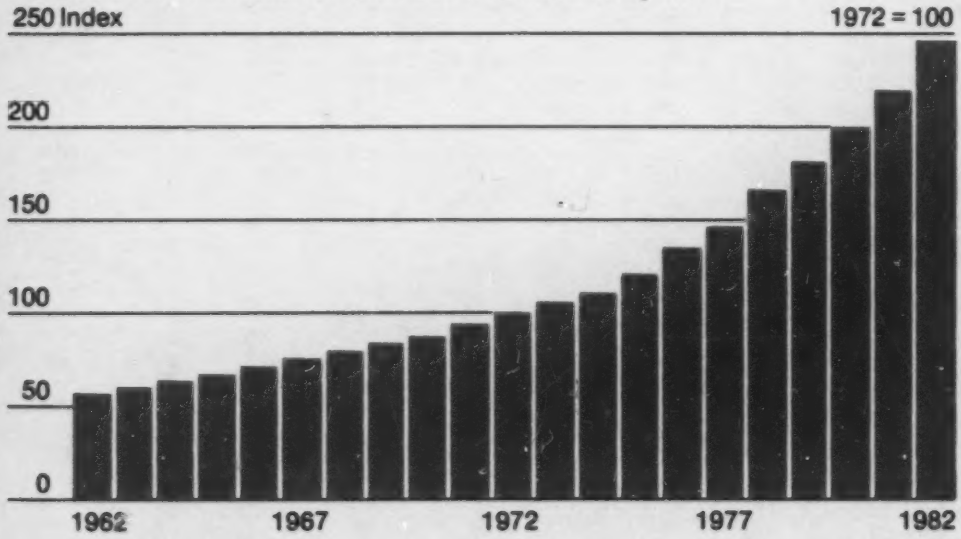
The largest component of life company assets in 1982 was corporate debt issues. Holdings of corporate debt increased from $193.8 billion to $212.8 billion, or 36.2% of total assets, by year-end 1982.

Mortgages, the second largest component of life insurance company assets, increased from $137.7 billion to $142.0 billion during 1982. As a proportion of total assets these holdings were 24.1% in 1982, compared to 26.2% in 1981.

The third largest category, policy loans, decreased from 9.3% in 1981 to 9.0% of total assets in 1982.

Corporate stock holdings amounted to $55.7 billion, or 9.5% of total assets, and included $42.3 billion of common stocks and $13.4 billion of preferred stocks.

Relative Growth in Assets of U.S. Life Insurance Companies



Distribution of Assets of U.S. Life Insurance Companies

AMOUNT (000,000 omitted)

Year	Government Securities	Corporate Securities		Mortgages	Real Estate	Policy Loans	Misc. Assets	Total
		Bonds	Stocks					
1917	$ 562	$ 1,975	$ 83	$ 2,021	$ 179	$ 810	$ 311	$ 5,941
1920	1,349	1,949	75	2,442	172	859	474	7,320
1925	1,311	3,022	81	4,808	266	1,446	604	11,538
1930	1,502	4,929	519	7,598	548	2,807	977	18,880
1935	4,727	5,314	583	5,357	1,990	3,540	1,705	23,216
1940	8,447	8,645	605	5,972	2,065	3,091	1,977	30,802
1945	22,545	10,060	999	6,636	857	1,962	1,738	44,797
1950	16,118	23,248	2,103	16,102	1,445	2,413	2,591	64,020
1955	11,829	35,912	3,633	29,445	2,581	3,290	3,742	90,432
1960	11,815	46,740	4,981	41,771	3,765	5,231	5,273	119,576
1965	11,908	58,244	9,126	60,013	4,681	7,678	7,234	158,884
1966	11,396	60,819	8,832	64,609	4,885	9,117	7,797	167,455
1967	11,079	64,687	10,877	67,516	5,187	10,059	8,427	177,832
1968	11,096	68,310	13,230	69,973	5,571	11,306	9,150	188,636
1969	10,914	70,859	13,707	72,027	5,912	13,825	9,964	197,208
1970	11,068	73,098	15,420	74,375	6,320	16,064	10,909	207,254
1971	11,000	79,198	20,607	75,496	6,904	17,065	11,832	222,102
1972	11,372	86,140	26,845	76,948	7,295	18,003	13,127	239,730
1973	11,403	91,796	25,919	81,369	7,693	20,199	14,057	252,436
1974	11,965	96,652	21,920	86,234	8,331	22,862	15,385	263,349
1975	15,177	105,837	28,061	89,167	9,621	24,467	16,974	289,304
1976	20,260	120,666	34,262	91,552	10,476	25,834	18,502	321,552
1977	23,555	137,889	33,763	96,848	11,060	27,556	21,051	351,722
1978	26,552	156,044	35,518	106,167	11,764	30,146	23,733	389,924
1979	29,719	168,990	39,757	118,421	13,007	34,825	27,563	432,282
1980	33,015	179,603	47,366	131,080	15,033	41,411	31,702	479,210
1981	39,502	193,806	47,670	137,747	18,278	48,706	40,094	525,803
1982	55,516	212,772	55,730	141,989	20,624	52,961	48,571	588,163
PERCENT								
1917	9.6%	33.2%	1.4%	34.0%	3.0%	13.6%	5.2%	100.0%
1920	18.4	26.7	1.0	33.4	2.3	11.7	6.5	100.0
1925	11.3	26.2	.7	41.7	2.3	12.5	5.3	100.0
1930	8.0	26.0	2.8	40.2	2.9	14.9	5.2	100.0
1935	20.4	22.9	2.5	23.1	8.6	15.2	7.3	100.0
1940	27.5	28.1	2.0	19.4	6.7	10.0	6.3	100.0
1945	50.3	22.5	2.2	14.8	1.9	4.4	3.9	100.0
1950	25.2	36.3	3.3	25.1	2.2	3.8	4.1	100.0
1955	13.1	39.7	4.0	32.6	2.9	3.6	4.1	100.0
1960	9.9	39.1	4.2	34.9	3.1	4.4	4.4	100.0
1965	7.5	36.7	5.7	37.8	3.0	4.8	4.5	100.0
1966	6.8	36.3	5.3	38.6	2.9	5.5	4.6	100.0
1967	6.2	36.4	6.1	38.0	2.9	5.7	4.7	100.0
1968	5.9	36.2	7.0	37.1	3.0	6.0	4.8	100.0
1969	5.5	36.0	6.9	36.6	3.0	7.0	5.0	100.0
1970	5.3	35.3	7.4	35.9	3.0	7.8	5.3	100.0
1971	4.9	35.7	9.3	34.0	3.1	7.7	5.3	100.0
1972	4.8	35.9	11.2	32.1	3.0	7.5	5.5	100.0
1973	4.5	36.4	10.3	32.2	3.0	8.0	5.6	100.0
1974	4.5	36.7	8.3	32.8	3.2	8.7	5.8	100.0
1975	5.2	36.6	9.7	30.8	3.3	8.5	5.9	100.0
1976	6.3	37.5	10.7	28.5	3.3	8.0	5.7	100.0
1977	6.7	39.2	9.6	27.5	3.2	7.8	6.0	100.0
1978	6.8	40.0	9.1	27.2	3.0	7.8	6.1	100.0
1979	6.9	39.1	9.2	27.4	3.0	8.1	6.3	100.0
1980	6.9	37.5	9.9	27.4	3.1	8.6	6.6	100.0
1981	7.5	36.8	9.1	26.2	3.5	9.3	7.6	100.0
1982	9.4	36.2	9.5	24.1	3.5	9.0	8.3	100.0

Note: Beginning with 1962, these data include the assets of separate accounts. For detail on separate accounts, see page 87.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Assets of U.S. Life Insurance Companies

(000,000 omitted)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$ 771	1926	$ 12,940	1946	$ 48,191	1966	$ 167,455
1895	1,160	1927	14,392	1947	51,743	1967	177,832
1900	1,742	1928	15,961	1948	55,512	1968	188,636
1905	2,706	1929	17,482	1949	59,630	1969	197,208
1910	3,876	1930	18,880	1950	64,020	1970	207,254
1911	4,164	1931	20,160	1951	68,278	1971	222,102
1912	4,409	1932	20,754	1952	73,375	1972	239,730
1913	4,659	1933	20,896	1953	78,533	1973	252,436
1914	4,935	1934	21,844	1954	84,486	1974	263,349
1915	5,190	1935	23,216	1955	90,432	1975	289,304
1916	5,537	1936	24,874	1956	96,011	1976	321,552
1917	5,941	1937	26,249	1957	101,309	1977	351,722
1918	6,475	1938	27,755	1958	107,580	1978	389,924
1919	6,791	1939	29,243	1959	113,650	1979	432,282
1920	7,320	1940	30,802	1960	119,576	1980	479,210
1921	7,936	1941	32,731	1961	126,816	1981	525,803
1922	8,652	1942	34,931	1962	133,291	1982	588,163
1923	9,455	1943	37,766	1963	141,121		
1924	10,394	1944	41,054	1964	149,470		
1925	11,538	1945	44,797	1965	158,884		

Note: Beginning with 1962, these data include the assets of separate accounts. For details on separate accounts, see page 87.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Sources of Funds in the United States Money and Capital Markets

(000,000,000 omitted)

	1970	1975	1980	1981	1982
Life Insurance Companies	$ 9.1	$ 18.8	$ 33.4	$ 39.1	$ 41.4
Private Non-Life Insurance Company Pension Plans	7.2	12.8	20.5	20.1	28.9
State and Local Retirement Funds	4.2	11.7	26.1	27.3	30.1
Savings and Loan Associations	11.4	36.9	45.8	19.6	20.5
Mutual Savings Banks	4.0	10.8	5.5	1.6	0.4
Commercial Banking	31.8	31.6	100.4	108.9	107.7
Federal Reserve Banks	5.0	8.5	4.6	9.1	9.8
Federal Loan Agencies	8.0	25.1	56.4	49.4	78.3
Nonfinancial Corporations	1.8	16.2	11.1	28.4	12.8
Fire and Casualty Companies	4.8	6.7	12.9	8.5	11.2
Real Estate Investment Trusts	1.9	-4.8	-0.8	-1.0	-0.7
Mutual Funds*	1.6	0.3	17.9	67.2	37.6
Foreigners	11.0	10.8	28.6	22.4	22.2
Individuals and Others	13.6	41.3	87.1	73.0	106.2
Total	$115.4	$226.7	$449.5	$473.6	$506.4

*Includes money market funds of $0.7 billion in 1975, $14.9 billion in 1980, $62.5 billion in 1981 and $21.4 billion in 1982.

Source: American Council of Life Insurance.

New Investments

Acquisitions of long-term investments by U.S. life insurance companies reached a record high of $110.5 billion in 1982, an increase of $26.8 billion, or 32.1%, over 1981. Acquisitions of short-term investments—government and corporate securities with maturities of one year or less—are not available for 1982 because these voluminous transactions are no longer required to be reported in the annual statements of life insurance companies. (Holdings of such short-term securities increased $6.8 billion during 1982 to total $25.9 billion at the end of the year.)

Of the $111 billion of long-term acquisitions, about $51 billion was traceable to new funds. Some $55 billion represented funds available for reinvestment from repayments of existing investments, such as bond maturities, calls, mortgage amortizations and prepayments, and from asset sales. The balance of acquisitions represented exchanges and refinancings.

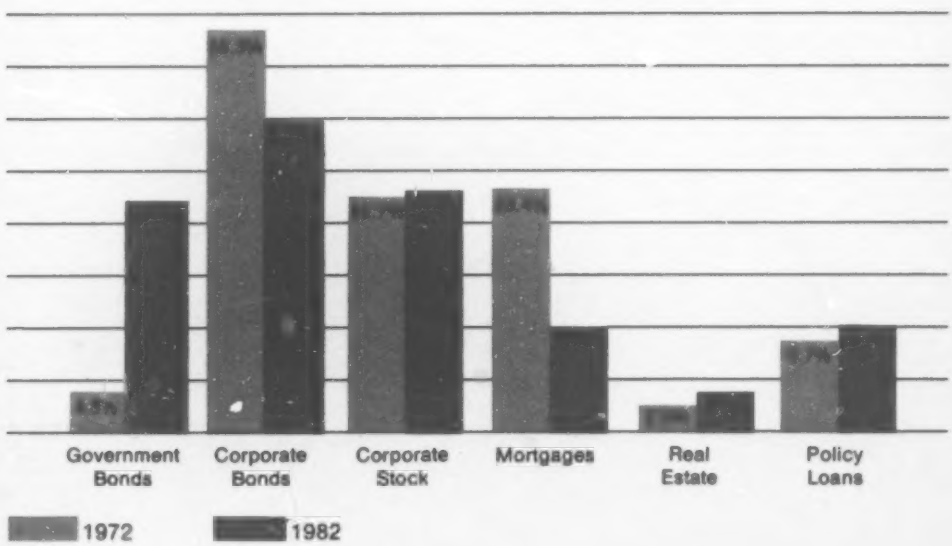
New long-term investments of life insurance companies come under six broad categories. Corporate bonds are a major outlet for investment funds, accounting for 29.8% of long-term acquisitions in 1982. Mortgages represented 10.4% of the total. The other categories are corporate stocks, policy loans, government securities and real estate. Acquisitions of mortgages and policy loans were less in 1982 than in 1981, while the other four categories, most notably government securities, increased over 1981.

Long-term corporate bond acquisitions amounted to $32.9 billion in 1982, nearly $10.0 billion, or 43.4%, more than the $23.0 billion in the previous year. Corporate bond acquisitions increased to 29.8% of total long-term acquisitions in 1982 from 27.4% in 1981. Acquisitions of long-term domestic corporate bonds amounted to $31.6 billion and foreign corporate bonds came to $1.3 billion in 1982. The former category increased 45.0% from 1981, while the latter increased 13.4%.

Mortgages accounted for $11.5 billion of life company investment acquisitions in 1982, $2.0 billion, or 14.5%, less than in 1981. Mortgage loans decreased to 10.4% of total life company long-term acquisitions in 1982 from 16.1% in 1981.

Distribution of Acquisitions of Long-term Investments by Type

U.S. Life Insurance Companies



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Included in the mortgage loan total were $10.5 billion of nonfarm conventional loans, $696 million of farm mortgages, and $342 million of government-backed mortgages. Nonfarm conventional mortgages, which accounted for 91.0% of total mortgage acquisitions in 1982, decreased $1.6 billion from 1981. Loans on nonresidential properties, such as office buildings, shopping centers, manufacturing plants and warehouses, continued to dominate the nonfarm conventional mortgage total. Farm mortgage loans were $696 million, down $412 million from 1981. Government-backed mortgages were $342 million, $47 million less than in 1981.

Corporate stock acquisitions increased $6.3 billion during 1982 to $25.8 billion. Common stock acquisitions amounted to $22.7 billion, and preferred stock acquisitions were $3.1 billion. Disposals of common stock amounted to $20.1 billion in 1982, $4.8 billion more than in 1981. Disposals of preferred stock were $1.7 billion, up $863 million from 1981.

Acquisitions of Investments

U.S. Life Insurance Companies (000,000 omitted)

Year	Government Securities	Corporate Securities		Mortgages	Real Estate	Policy Loans	Total
		Bonds	Stocks				
1947	$1,710	$ 4,248	$ 307	$ 2,786	$219	$ 327	$ 9,597
1948	2,262	4,800	181	3,407	278	414	11,342
1949	1,065	3,674	251	3,440	264	478	9,172
1950	2,399	3,700	470	4,894	257	521	12,241
1951	7,691	4,379	278	5,134	273	535	18,290
1952	4,610	5,151	194	3,978	335	504	14,772
1953	3,939	4,631	233	4,345	205	579	13,932
1954	5,549	5,157	552	5,344	388	661	17,651
1955	6,176	4,687	392	6,614	371	669	18,909
1956	4,794	5,305	291	6,715	360	744	18,209
1957	3,833	6,044	294	5,230	458	916	16,775
1958	5,625	5,799	365	5,277	463	1,008	18,537
1959	5,613	6,318	514	5,975	446	1,156	20,022
1960	5,011	6,886	655	6,083	299	1,420	20,354
1961	6,478	9,113	918	6,785	429	1,427	25,150
1962	6,824	11,654	766	7,478	363	1,473	28,558
1963	6,018	14,200	788	9,172	485	1,504	32,167
1964	4,979	15,419	1,066	10,433	488	1,574	33,959
1965	4,273	20,428	1,463	11,137	448	1,702	39,451
1966	3,837	18,452	1,326	10,217	510	2,613	36,955
1967	3,949	25,930	2,065	8,470	668	2,365	43,447
1968	5,570	27,601	3,318	7,925	815	2,741	47,970

Year	Government Securities		Corporate Securities						
			Bonds						
	Long-Term	Total	Long-Term	Total	Stocks	Mortgages	Real Estate	Policy Loans	Total
1969 ...	$ 1,393	$ 4,655	$ 6,787	$ 31,883	$ 4,099	$ 7,531	$ 794	$ 4,118	$ 53,080
1970 ...	796	4,612	6,808	41,405	4,086	7,181	859	4,149	62,292
1971 ...	1,635	7,011	11,727	53,517	6,785	7,573	1,035	3,400	79,321
1972 ...	1,604	8,989	14,257	68,240	8,468	8,696	976	3,252	98,621
1973 ...	1,385	8,290	12,741	87,059	8,198	11,463	1,177	4,602	120,789
1974 ...	1,456	7,609	11,266	86,656	4,832	11,339	1,294	5,332	117,062
1975 ...	3,695	13,644	16,567	96,534	5,955	9,595	2,115	4,600	132,443
1976 ...	7,249	30,315	24,002	120,442	7,691	9,801	1,814	4,826	174,889
1977 ...	7,498	34,908	30,183	147,114	7,588	14,176	2,059	5,115	210,960
1978 ...	6,442	35,805	28,006	164,866	8,015	17,799	2,234	6,260	234,979
1979 ...	6,866	41,566	23,170	186,195	10,374	20,689	2,793	8,739	270,356
1980 ...	6,961	51,798	22,255	227,336	14,105	19,759	3,312	11,535	327,845
1981 ...	10,620	72,879	22,966	312,707	19,498	13,478	4,467	12,641	435,670
1982 ...	24,305	N.A.	32,939	N.A.	25,818	11,528	4,480	11,449	N.A.

N.A. = Not available after 1981.

Source: American Council of Life Insurance.

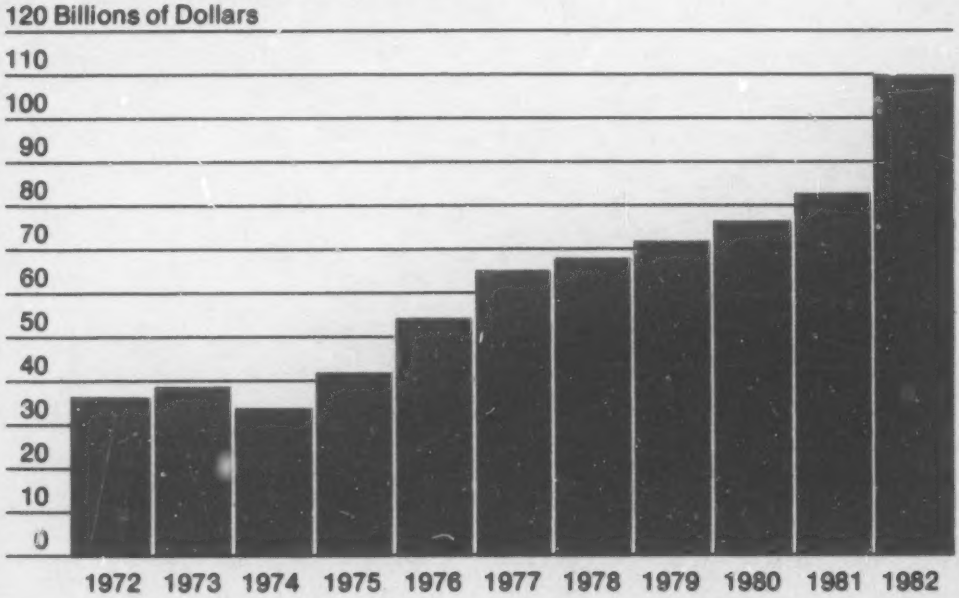
Acquisitions of long-term government securities reached $24.3 billion in 1982, $13.7 billion, or 128.9%, more than in 1981. Acquisitions of U.S. Treasury bonds and notes of $13.5 billion increased 206.3% over 1981, and Federal agency issues of $6.3 billion were up 55.8% from 1981. Foreign government and international agency bond acquisitions of $2.1 billion were up 69.7%, while state and local bonds of $2.5 billion increased 157.8% over 1981.

Policy loans made by life insurance companies during 1982 amounted to $11.4 billion, down $1.2 billion from 1981. As a share of total long-term acquisitions, policy loans amounted to 10.4% in 1982, compared with 15.1% in 1981, 14.8% in 1980 and 15.0% in 1974, other recent years of strong policy loan demands.

Real estate accounted for $4.5 billion of life insurance company investment acquisitions, about the same as in 1981.

Acquisitions of Long-Term Investments

U.S. Life Insurance Companies



Acquisitions and Change In Holdings of Investments

U.S. Life insurance Companies (000,000 omitted)

Type of Investment	1981 Acquired in Year	1981 Held at Year-end	1981 Change in Holdings in Year	1982 Acquired in Year	1982 Held at Year-end	1982 Change in Holdings in Year
GOVERNMENT SECURITIES						
Short Term: 1 Year or Less						
U.S. Treasury	$ 46,798	$ 861	$+ 72	N.A.	$ 3,014	$+ 2,153
U.S. Federal Agency	14,072	430	+ 134	N.A.	639	+ 209
U.S. State and Local	196	13	+ 6	N.A.	15	+ 2
Foreign Government and International Agency	1,193	207	+ 101	N.A.	478	+ 271
	62,259	1,511	+ 313	N.A.	4,146	+ 2,635
Other: Over 1 Year						
U.S. Treasury	4,391	7,306	+ 2,257	13,451	13,515	+ 6,209
U.S. Federal Agency	4,036	13,863	+ 3,015	6,288	17,995	+ 4,132
U.S. State and Local	958	7,138	+ 444	2,470	9,032	+ 1,894
Foreign Government and International Agency	1,235	9,684	+ 458	2,096	10,828	+ 1,144
	10,620	37,991	+ 6,174	24,305	51,370	+13,379
Total Government Securities	72,879	39,502	+ 6,487	N.A.	55,516	+16,014
CORPORATE SECURITIES						
Bonds, Debentures and Notes						
Short Term: 1 Year or Less						
U.S.	237,696	15,424	+ 6,596	N.A.	18,645	+ 3,221
Foreign	52,045	2,140	+ 826	N.A.	3,090	+ 950
Other: Over 1 Year						
U.S.	21,840	167,189	+ 6,318	31,662	181,641	+14,452
Foreign	1,126	9,053	+ 463	1,277	9,396	+ 343
	312,707	193,806	+14,203	N.A.	212,772	+18,966
Stocks						
Common	18,041	35,408	- 163	22,737	42,355	+ 6,947
Preferred	1,457	12,262	+ 467	3,081	13,375	+ 1,113
	19,498	47,670	+ 304	25,818	55,730	+ 8,060
Total Corporate Securities	332,205	241,476	+14,507	N.A.	268,502	+27,026
MORTGAGES						
Farm	1,108	13,100	+ 142	696	12,831	- 269
Nonfarm						
F.H.A.	175	5,149	- 389	217	4,837	- 312
N.H.A.	6	502	- 26	*	472	- 30
V.A.	114	2,590	- 191	125	2,462	- 128
Conventional	12,075	116,406	+ 7,131	10,490	121,387	+ 4,981
Total Mortgages	13,478	137,747	+ 6,667	11,528	141,989	+ 4,242
REAL ESTATE	4,467	18,278	+ 3,245	4,480	20,624	+ 2,346
POLICY LOANS	12,641	48,706	+ 7,295	11,449	52,961	+ 4,255
CASH	XXX	4,279	+ 1,069	XXX	4,612	+ 333
OTHER ASSETS	XXX	35,815	+ 7,323	XXX	43,959	+ 8,144
TOTAL ASSETS	$435,670	$525,803	$+46,593	N.A.	$588,163	$+62,360

N.A. = Not available after 1981.

*Less than $500,000.

Source: American Council of Life Insurance.

Government Securities

Government securities amounted to 9.4% of total assets of U.S. life insurance companies at year-end 1982.

These securities have been more attractive to life insurance companies in the last eight years. Holdings of these investments amounted to $55.5 billion at the end of 1982, an increase of $16.0 billion, or 40.5%, during the year. This growth follows a 19.6% increase in 1981. Investments in issues of the U.S. Treasury accounted for 52.2% of the increase during 1982.

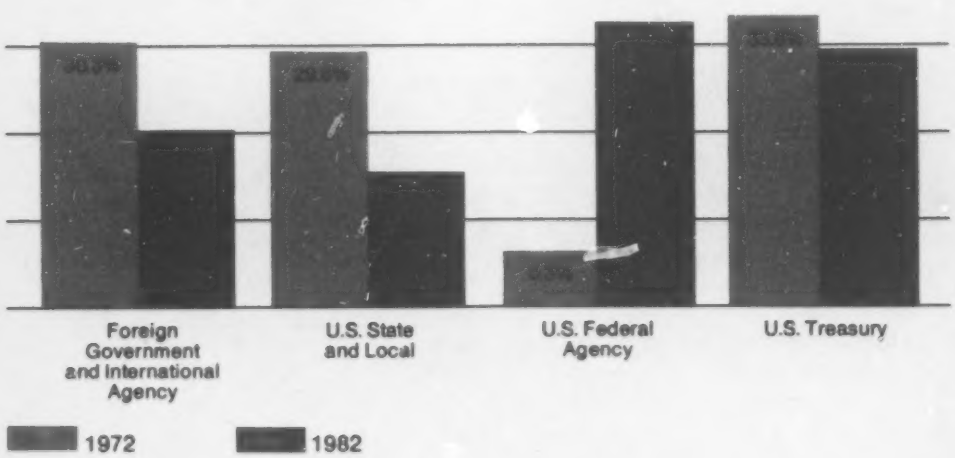
The large increases in recent years have been in sharp contrast to smaller increments in prior years. As a proportion of total assets, holdings of U.S. government securities have decreased steeply since the end of World War II. Life insurance funds had been heavily channeled into government securities during the war, with holdings consisting mainly of Treasury notes and bonds.

Securities of the United States government include U.S. Treasury securities and those of U.S. Federal agencies or those sponsored by the Federal government (such as the Federal National Mortgage Association and the Federal Home Loan Banks). Investments in these securities amounted to $35.2 billion at year-end 1982, an increase of $12.7 billion, or 56.6%, from year-end 1981. Short-term Treasury bills and certificates, purchased to keep funds at work until they are needed for long-term investments, amounted to $3.0 billion. Short-term Federal agency securities totaled $639 million. Holdings of short-term U.S. Treasury and Federal agency issues increased 183.0% and holdings of long-term securities of these agencies increased 48.8%.

U.S. state and local securities amounted to $9.0 billion at the end of 1982, up $1.9 billion from last year. These holdings include guaranteed, special revenue and other issues of the 50 states, District of Columbia, Puerto Rico, and the territories and possessions of the United States and their political subdivisions.

Distribution of Government Securities

U.S. Life Insurance Companies



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In addition to the securities of governments in the United States, U.S. life companies had $11.3 billion invested in securities of the central and local governments of Canada and other foreign countries, and in international agencies such as the International Bank for Reconstruction and Development (World Bank). Investment in Canada's central and local governments amounted to $7.3 billion in 1981 (the latest year for which data are available). After Canada, the largest life insurance company holdings of foreign government bonds in 1981 were those of Mexico, Japan, France, Sweden and Israel.

Government Securities

Owned by U.S. Life Insurance Companies (000,000 omitted)

	United States				Foreign Government and International		
Year	Treasury	Federal Agency	State and Local	Total	Agency	Total Amount	% of Assets
1917	$ 70	—	*	*	*	$ 562	9.6
1920	830	—	*	*	*	1,349	18.4
1925	627	—	*	*	*	1,311	11.3
1930	319	—	*	*	*	1,502	8.0
1935	2,853	—	$1,344	$ 4,197	$ 530	4,727	20.4
1940	5,767	—	2,082	7,849	598	8,447	27.5
1945	20,583	—	722	21,305	1,240	22,545	50.3
1950	13,459	—	1,152	14,611	1,507	16,118	25.2
1951	11,009	—	1,170	12,179	1,581	13,760	20.1
1952	10,252	—	1,153	11,405	1,500	12,905	17.6
1953	9,829	—	1,298	11,127	1,410	12,537	15.9
1954	9,070	—	1,846	10,916	1,346	12,262	14.5
1955	8,576	—	2,038	10,614	1,215	11,829	13.1
1956	7,555	—	2,273	9,828	1,239	11,067	11.5
1957	7,029	—	2,376	9,405	1,286	10,691	10.6
1958	7,183	†	2,681	9,864	1,371	11,235	10.5
1959	6,868	$ 72	3,200	10,140	1,520	11,660	10.3
1960	6,427	101	3,588	10,116	1,699	11,815	9.9
1961	6,134	110	3,888	10,132	1,913	12,045	9.5
1962	6,17[illegible]	105	4,026	10,301	2,297	12,598	9.4
1963	5,813	139	3,852	9,804	2,826	12,630	8.9
1964	5,594	129	3,774	9,497	3,012	12,509	8.4
1965	5,119	167	3,530	8,816	3,092	11,908	7.5
1966	4,921	236	3,260	8,417	2,979	11,396	6.8
1967	4,683	230	3,145	8,058	3,021	11,079	6.2
1968	4,456	294	3,194	7,944	3,152	11,096	5.9
1969	4,124	390	3,221	7,735	3,179	10,914	5.5
1970	4,042	532	3,306	7,880	3,188	11,068	5.3
1971	3,828	627	3,363	7,818	3,182	11,000	4.9
1972	3,827	735	3,367	7,929	3,443	11,372	4.8
1973	3,444	884	3,412	7,740	3,663	11,403	4.5
1974	3,372	1,065	3,667	8,104	3,861	11,965	4.5
1975	4,736	1,419	4,508	10,663	4,514	15,177	5.2
1976	5,368	2,318	5,594	13,280	6,980	20,260	6.3
1977	5,315	4,002	6,051	15,368	8,187	23,555	6.7
1978	4,822	6,543	6,402	17,767	8,785	26,552	6.8
1979	4,888	9,381	6,428	20,697	9,022	29,719	6.9
1980	5,838	11,144	6,701	23,683	9,332	33,015	6.9
1981	8,167	14,293	7,151	29,611	9,891	39,502	7.5
1982	16,529	18,634	9,047	44,210	11,306	55,516	9.4

*Breakdown not available.

†Holdings of U.S. Federal agency bonds in 1958 (the first year in which life companies held such securities) were estimated to be $50 million, and were included in other categories for that year.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Corporate Securities

Corporate securities owned by U.S. life insurance companies were 45.7% of the companies' assets at year-end 1982, and amounted to $268.5 billion. This was an increase of $27.0 billion, or 11.2%, over the previous year and follows an increase of $14.5 billion, or 6.4%, in 1981. These securities consist of corporate bonds and stocks.

Corporate bond holdings amounted to $212.8 billion and were 36.2% of all assets at year-end 1982. These investments have increased steadily for many years and have more than doubled in the last decade. Demands for corporate bond financing were particularly heavy in the last six years.

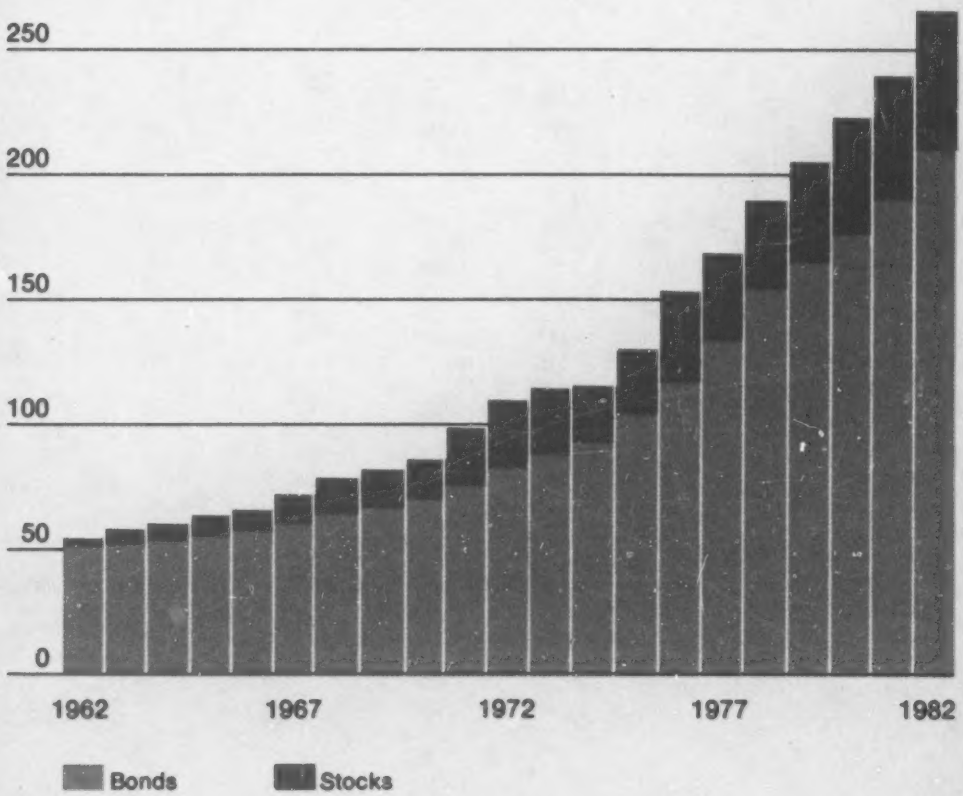
The major share of corporate bond holdings—$200.3 billion—was invested in corporations in the United States. The remainder—$12.5 billion—was invested in corporations in foreign countries, chiefly Canada.

Life insurance companies are important investors in the corporate bond market and have been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s. Nearly two-fifths of total outstanding corporate bonds are held by life insurance companies. Private or direct placements, where the financial institution negotiates directly with the corporation over the terms of the offering, account for a large share of life company investments in corporate bonds. Life insurance companies are the major lenders in the direct placement market.

Growth in Holdings of Corporate Securities

U.S. Life Insurance Companies

300 Billions of Dollars



U.S. corporate bonds include the bonds of industrial and miscellaneous corporations, public utilities and railroads. Industrial and miscellaneous bonds, which have steadily risen as a component since the end of World War II, amounted to $127.8 billion at the end of 1981 (the latest year for which data are available). The growth in this category of bonds reflects the postwar industrial expansion of the nation's economy. The bulk of such securities are acquired by direct placements.

Public utility bonds amounted to $49.2 billion at year-end 1981. These bonds represent an important investment medium for life insurance companies. Through these investments, the life companies have helped to provide the nation with vital services for people and industry. One example is the increase in electrical power for industrial expansion and the means of distributing it. Life insurance companies have also helped finance expanded communications facilities and have invested in water, sewerage, fuel and local transportation facilities.

Corporate Securities

Owned by U.S. Life Insurance Companies (000,000 omitted)

	Bonds				Stocks					
Year	United States	Foreign	Total	% of Assets	Common	Preferred	Total	% of Assets	Total Amount	% of Assets
1917 ...	*	*	$ 1,975	33.2	*	*	$ 83	1.4	$ 2,058	34.6
1920 ...	*	*	1,949	26.7	*	*	75	1.0	2,024	27.7
1925 ...	*	*	3,022	26.2	*	*	81	.7	3,103	26.9
1930 ...	*	*	4,929	26.0	*	*	519	2.8	5,448	28.8
1935 ...	*	*	5,314	22.9	*	*	583	2.5	5,897	25.4
1940 ...	*	*	8,645	28.1	*	*	605	2.0	9,250	30.1
1945 ...	*	*	10,060	22.5	*	*	999	2.2	11,059	24.7
1950 ...	$ 22,607	$ 641	23,248	36.3	$ 649	$ 1,454	2,103	3.3	25,351	39.6
1951 ...	25,147	743	25,890	37.9	820	1,401	2,221	3.3	28,111	41.2
1952 ...	28,164	905	29,069	39.6	963	1,483	2,446	3.3	31,515	42.9
1953 ...	30,750	1,115	31,865	40.6	1,042	1,531	2,573	3.3	34,438	43.9
1954 ...	32,774	1,258	34,032	40.3	1,536	1,732	3,268	3.9	37,300	44.2
1955 ...	34,629	1,283	35,912	39.7	1,889	1,744	3,633	4.0	39,545	43.7
1956 ...	36,606	1,434	38,040	39.6	1,952	1,551	3,503	3.7	41,543	43.4
1957 ...	39,065	1,600	40,665	40.1	1,867	1,524	3,391	3.3	44,056	43.8
1958 ...	41,234	1,764	42,998	40.0	2,548	1,561	4,109	3.8	47,107	43.8
1959 ...	43,142	1,884	45,026	39.6	2,954	1,607	4,561	4.0	49,587	43.6
1960 ...	44,709	2,031	46,740	39.1	3,183	1,798	4,981	4.2	51,721	43.3
1961 ...	46,595	2,292	48,887	38.5	4,223	2,035	6,258	4.9	55,145	43.4
1962 ...	48,522	2,602	51,124	38.4	4,119	2,183	6,302	4.7	57,426	43.1
1963 ...	50,620	2,833	53,453	37.9	4,820	2,315	7,135	5.0	60,588	42.9
1964 ...	52,408	3,046	55,454	37.1	5,422	2,516	7,938	5.3	63,392	42.4
1965 ...	54,835	3,409	58,244	36.7	6,263	2,863	9,126	5.7	67,370	42.4
1966 ...	57,105	3,714	60,819	36.3	6,003	2,829	8,832	5.3	69,651	41.6
1967 ...	60,835	3,852	64,687	36.4	7,810	3,067	10,877	6.1	75,564	42.5
1968 ...	64,396	3,914	68,310	36.2	9,995	3,235	13,230	7.0	81,540	43.2
1969 ...	66,813	4,046	70,859	36.0	10,318	3,389	13,707	6.9	84,566	42.9
1970 ...	68,711	4,387	73,098	35.3	11,873	3,547	15,420	7.4	88,518	42.7
1971 ...	74,699	4,499	79,198	35.7	16,779	3,828	20,607	9.3	99,805	45.0
1972 ...	81,244	4,896	86,140	35.9	21,793	5,052	26,845	11.2	112,985	47.1
1973 ...	86,848	4,948	91,796	36.4	19,606	6,313	25,919	10.3	117,715	46.7
1974 ...	91,412	5,240	96,652	36.7	14,946	6,974	21,920	8.3	118,572	45.0
1975 ...	99,993	5,844	105,837	36.6	20,304	7,757	28,061	9.7	133,898	46.3
1976 ...	113,474	7,192	120,666	37.5	25,694	8,568	34,262	10.7	154,928	48.2
1977 ...	130,181	7,708	137,889	39.2	24,086	9,677	33,763	9.6	171,652	48.8
1978 ...	147,118	8,926	156,044	40.0	24,986	10,532	35,518	9.1	191,562	49.1
1979 ...	159,738	9,252	168,990	39.1	28,161	11,596	39,757	9.2	208,747	48.3
1980 ...	169,699	9,904	179,603	37.5	35,571	11,795	47,366	9.9	226,969	47.4
1981 ...	182,613	11,193	193,806	36.8	35,408	12,262	47,670	9.1	241,476	45.9
1982 ...	200,286	12,486	212,772	36.2	42,355	13,375	55,730	9.5	268,502	45.7

*Breakdown not available.

Sources: *Spectator Year Book* and American Council of Life Insurance.

Railroad bonds, which had been declining as a proportion of assets since the end of World War II, amounted to $5.5 billion in 1981. In the 1920s, railroad bonds accounted for about 20% of total assets held by life insurance companies, compared to 1.0% at year-end 1981.

Long-term shifts in investment demand are reflected in changes in life companies' portfolios. Since World War II, for example, there have been shifts in holdings from government securities to corporate securities. Changes in relative yields of the various types of investments account in part for these shifts. Investment of life insurance funds is not, however, a simple matter of following changes in yield curves and in assessments of investment quality. Decisions about long-term investments also require consideration of major economic and social trends for decades to come.

Investments in common and preferred stocks account for the remainder of corporate securities owned by U.S. life insurance companies. These holdings amounted to $55.7 billion, or 9.5% of total assets at the end of 1982.

Holdings of common stocks increased by $6.9 billion to $42.3 billion in 1982. Preferred stocks increased by $1.1 billion, or 9.1%, to total $13.4 billion at year-end 1982.

At the end of 1980 life insurance companies held 3.5% of the total corporate stock outstanding. Among institutional investors, life insurers ranked third.

Historically, stocks have been a small percentage of total assets for reasons rooted in both the investment philosophy of the business and in the laws regulating life insurance. Stocks have not been heavily used as a major investment medium for funds backing life insurance policies because of the contractual guarantees for specified dollar amounts in these policies.

Legal restrictions on stock investments have also been quite specific. For many years life companies operating in New York State could not, under law, invest in any common stock. The law was first amended in 1951 to permit some investments of this type.

The growth of funding of pension plans with life companies and variable annuities through equity securities also has led to changes. The introduction of variable life insurance has also altered the situation. State laws generally permit certain assets of these and other plans to be maintained in an account separate from a company's other assets, with up to 100% invested in stocks or other equities. At year-end 1982, 48.5% of all common stocks held by life insurance companies were in separate accounts.

Mortgages

Life insurance company mortgage holdings at year-end 1982 amounted to $142.0 billion, or 24.1% of total assets. The asset share for mortgage loans was down from 26.2% at year-end 1981. The asset share had decreased in most years since 1966, when mortgages were 38.6% of total assets.

Farm mortgage holdings, which grew rapidly in the period of 1950 to 1968 and then remained fairly level for several years, have increased in recent years through 1981. During 1982, farm mortgages held by life companies decreased by $269 million, or 2.1%, to total $12.8 billion at the end of the year. This amount was 9.0% of total mortgages held by the companies at year-end 1982.

Classifications of nonfarm mortgage holdings by type of financing show that conventional mortgages have accounted for the growth in life insurance companies' nonfarm mortgage portfolios, while government-backed mortgages have decreased for a number of years. Loans guaranteed by the Veterans' Administration declined in nearly every year since 1957 and amounted to $2.5 billion at the end of 1982. Mortgages insured by the Federal Housing Administration (including loans in Canada insured under the Canadian National Housing Act) have decreased for sixteen consecutive years and amounted to $5.3 billion at year-end 1982.

Mortgages

Owned by U.S. Life Insurance Companies (000,000 omitted)

Year	Farm	Non-farm	Total Amount	% of Assets	Year	Farm	Non-farm	Total Amount	% of Assets
1890 ...	*	*	$ 310	40.2	1920 ...	$1,270	$1,172	$2,442	33.4
1895 ...	*	*	412	35.6	1925 ...	2,040	2,768	4,808	41.7
1900 ...	*	*	501	28.8	1930 ...	2,057	5,541	7,598	40.2
1905 ...	*	*	724	26.7	1935 ...	1,073	4,284	5,357	23.1
1910 ...	*	*	1,227	31.7	1940 ...	899	5,073	5,972	19.4
1915 ...	*	*	1,779	34.3	1945 ...	776	5,860	6,636	14.8

Year	Farm	Nonfarm F.H.A.†	Nonfarm V.A.	Nonfarm Conventional	Total Amount	% of Assets
1947	$ 895	$ 1,398	$ 844	$ 5,538	$ 8,675	16.8
1950	1,327	4,573	2,026	8,176	16,102	25.1
1955	2,273	6,530	6,074	14,568	29,445	32.6
1960	2,982	9,290	6,901	22,598	41,771	34.9
1965	4,823	12,538	6,286	36,366	60,013	37.8
1966	5,240	12,852	6,201	40,316	64,609	38.6
1967	5,569	12,672	6,122	43,153	67,516	38.0
1968	5,801	12,469	5,954	45,749	69,973	37.1
1969	5,773	12,271	5,701	48,282	72,027	36.6
1970	5,649	12,001	5,394	51,331	74,375	35.9
1971	5,601	11,336	5,004	53,555	75,496	34.0
1972	5,678	10,512	4,660	56,098	76,948	32.1
1973	5,996	9,740	4,402	61,231	81,369	32.2
1974	6,327	9,115	4,178	66,614	86,234	32.8
1975	6,753	8,502	3,903	70,009	89,167	30.8
1976	7,425	7,838	3,603	72,686	91,552	28.5
1977	8,842	7,182	3,348	77,476	96,848	27.5
1978	10,499	6,705	3,164	85,799	106,167	27.2
1979	12,184	6,372	2,975	96,890	118,421	27.4
1980	12,958	6,066	2,781	109,275	131,080	27.4
1981	13,100	5,651	2,590	116,406	137,747	26.2
1982	12,831	5,309	2,462	121,387	141,989	24.1

*Breakdown not available.

†Includes mortgages insured under the Canadian National Housing Act; in 1982 this amounted to $472 million.

Source: American Council of Life Insurance.

Mortgages Owned by U.S. Life Insurance Companies by Type and State 1982 (000 omitted)

State	Farm	Non-Farm	Total
Alabama	$ 115,800	$ 1,622,400	$ 1,738,200
Alaska	4,200	251,700	255,900
Arizona	226,500	2,266,900	2,493,400
Arkansas	391,000	487,900	878,900
California	1,900,500	17,795,600	19,696,100
Colorado	385,400	3,674,600	4,060,000
Connecticut	200	1,392,600	1,392,800
Delaware	700	213,400	214,100
D.C.	—	1,979,100	1,979,100
Florida	506,400	6,753,500	7,259,900
Georgia	212,900	3,886,600	4,099,500
Hawaii	13,800	1,432,000	1,445,800
Idaho	261,000	290,500	551,500
Illinois	799,800	6,971,700	7,771,500
Indiana	535,300	2,409,300	2,944,600
Iowa	994,900	923,000	1,917,900
Kansas	404,300	1,049,200	1,453,500
Kentucky	185,400	1,376,700	1,562,100
Louisiana	258,800	2,546,000	2,804,800
Maine	—	147,400	147,400
Maryland	20,700	2,994,700	3,015,400
Massachusetts	500	2,422,600	2,423,100
Michigan	80,400	3,221,700	3,302,100
Minnesota	460,700	2,348,100	2,808,800
Mississippi	334,200	686,800	1,021,000
Missouri	473,800	2,304,100	2,777,900
Montana	376,300	156,000	532,300
Nebraska	703,500	663,100	1,366,600
Nevada	90,500	735,700	826,200
New Hampshire	5,300	238,800	244,100
New Jersey	3,400	3,689,500	3,692,900
New Mexico	119,600	458,000	577,600
New York	28,800	5,944,400	5,973,200
North Carolina	149,900	2,426,500	2,576,400
North Dakota	64,900	156,000	220,900
Ohio	309,300	3,692,200	4,001,500
Oklahoma	186,300	1,717,600	1,903,900
Oregon	228,700	1,225,100	1,453,800
Pennsylvania	31,900	2,816,500	2,848,400
Rhode Island	—	93,500	93,500
South Carolina	24,800	1,153,800	1,178,600
South Dakota	141,000	126,300	267,300
Tennessee	84,600	2,194,700	2,279,300
Texas	894,900	17,259,060	18,153,900
Utah	14,900	1,020,200	1,035,100
Vermont	1,100	46,700	47,800
Virginia	37,200	4,041,100	4,078,300
Washington	442,200	2,675,800	3,118,000
West Virginia	12,800	195,300	208,100
Wisconsin	150,600	1,274,600	1,425,200
Wyoming	135,500	163,600	299,100
Puerto Rico	—	294,400	294,400
U.S. Territories and Possessions	—	7,100	7,100
Total U.S.	12,805,200	125,913,600	138,718,800
Canada	12,000	3,178,900	3,190,900
Other Foreign	13,300	65,500	78,800
TOTAL	$12,830,500	$129,158,000	$141,988,500

Source: American Council of Life Insurance.

A survey of the geographic distribution of the $142.0 billion in mortgage holdings of U.S. life companies at the end of 1982 showed that all but 2.3% were on properties located in the United States. By state, mortgage holdings were greatest in California, where they totaled $19.7 billion.

By far the largest portion of mortgages on properties outside the United States in 1982 was $3.2 billion in Canada. Much of the investment outside the United States applies to reserves set aside in connection with policies bought by residents of foreign countries.

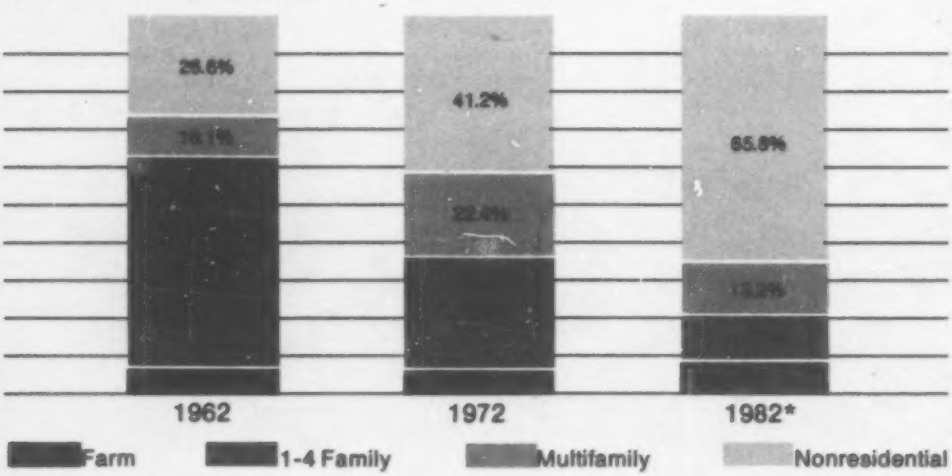
Preliminary data on mortgages held on properties in the United States showed a net increase during 1982 of $4.1 billion, compared with $6.6 billion in 1981. Loans on nonfarm, nonresidential properties increased by $5.3 billion during 1982. An analysis of life insurance companies' gross flow of mortgage loans during 1982 showed acquisitions of mortgages on properties in the U.S. totaled $11.0 billion while dispositions totaled $6.9 billion, primarily through repayments. Nonfarm, nonresidential mortgages (including land loans) continued to dominate life companies' mortgage acquisitions and holdings.

Life insurance companies were heavily involved in the home mortgage market in the 1950s and more moderately involved in the first half of the 1960s. These mortgage holdings had been declining during the twelve years through 1978, showed increases of 12.4% in 1979 and 11.5% in 1980, then declined again in 1981 by 3.4% and 3.1% in 1982. At the end of 1982, one-to-four family housing accounted for 11.7% of total mortgages held by the companies on U.S. properties, compared with 28.8% at the end of 1972 and 56.0% at year-end 1962.

The 1960s saw life companies becoming more involved in mortgages on multifamily housing in response to the increasing loan demand that accompanied a rise in the construction of these housing units. Multifamily housing mortgages accounted for 10.1% of mortgages held by life insurance companies on U.S. properties in 1962 and 22.4% in 1972. Holdings of multifamily housing mortgages decreased as a percentage of the total to 13.2% in 1982, amounting to $18.3 billion at year-end.

Distribution of Mortgages by Type in the United States

U.S. Life Insurance Companies



*Preliminary

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Life insurance company holdings of nonfarm, nonresidential mortgages rose at a fairly steady pace in the 1950s and 1960s and increased rapidly in the early 1970s. The properties underlying these mortgages cover a broad range of commercial, industrial and institutional uses, including retail stores and shopping centers, office buildings and factories, hospitals and medical centers. Holdings of these nonresidential mortgages represented 26.6% of U.S. mortgages held by life companies in 1962, 41.2% in 1972 and 65.8% in 1982. During 1982, these mortgage holdings increased by $5.3 billion, or 6.2%, to total $91.1 billion at the end of the year.

Gross Flow of Mortgage Loans In the United States

U.S. Life Insurance Companies (000,000 omitted)

Year	Farm	Residential		Non-residential	Total
		1-4 Family	Multi-family		
HELD YEAR-END					
1972	$ 5,643	$21,549	$16,750	$30 824	$ 74,766
1973	5,965	19,720	17,817	35,541	79,043
1974	6,297	18,353	18,915	40,114	83,679
1975	6,726	16,926	18,890	43,839	86,381
1976	7,400	15,463	18,439	47,264	88,566
1977	8,819	14,045	17,895	52,970	93,729
1978	10,478	13,862	18,251	60,289	102,880
1979	12,165	15,586	18,507	68,876	115,134
1980	12,928	17,381	18,910	78,496	127,715
1981	13,074	16,791	18,701	85,785	134,351
1982*	12,802	16,268	18,314	91,090	138,474
ACQUISITIONS DURING YEAR					
1972	$ 700	$ 615	$ 1,993	$ 5,136	$ 8,444
1973	1,005	645	2,459	7,033	11,142
1974	1,005	544	2,233	7,145	10,927
1975	1,075	382	1,268	6,581	9,306
1976	1,510	490	828	6,619	9,447
1977	2,373	639	1,045	9,835	13,892
1978	2,748	1,663	1,912	11,082	17,405
1979	2,806	3,534	1,727	12,309	20,376
1980	1,654	3,174	1,531	13,175	19,534
1981	1,108	661	768	10,835	13,372
1982*	697	779	467	9,088	11,031
DISPOSITIONS DURING YEAR					
1972	$ 621	$ 2,867	$ 1,413	$ 2,154	$ 7,055
1973	683	2,474	1,392	2,316	6,865
1974	673	1,911	1,135	2,572	6,291
1975	646	1,809	1,293	2,856	6,604
1976	836	1,953	1,279	3,194	7,262
1977	954	2,057	1,589	4,129	8,729
1978	1,089	1,846	1,556	3,763	8,254
1979	1,119	1,810	1,471	3,722	8,122
1980	891	1,379	1,128	3,555	6,953
1981	962	1,251	977	3,546	6,736
1982*	969	1,302	854	3,783	6,908

*Preliminary

Source: American Council of Life Insurance.

Real Estate

U.S. life insurance companies increased their holdings of directly owned real estate to $20.6 billion at the end of 1982, an increase of $2.3 billion, or 12.8%, during the year. This follows an increase of 21.6% in 1981.

The total of these holdings has moved upward steadily for almost three decades, making possible a variety of industrial and business facilities and housing for many families. Well over half of the growth in the last four years has been accounted for by real estate acquired for investment purposes. Holdings for the companies' own use have also increased as the growth in business has led to the need for additional space. Real estate amounted to 3.5% of the companies' assets at the end of 1982.

Investments in commercial and residential properties accounted for $16.2 billion, or 78.4%, of the 1982 total real estate holdings; the life companies' own home and branch offices accounted for $3.7 billion, or 17.8%; and the balance was accounted for by other types of real estate, mainly properties acquired in settlement of mortgage debt.

Life insurance companies were pioneers in the construction of large apartment complexes under their ownership. Many companies have encouraged the construction of shopping centers by purchasing them from developers and leasing them back for management. And some have been active in the construction of multipurpose skyscrapers and downtown centers whose ownership they retain.

A survey of the geographic distribution of real estate owned by U.S. life insurance companies at the end of 1979 shows that all but 1.5% of the total were properties located in the United States. By far the largest part of real estate investment outside the United States was $184 million in Canada.

Real Estate

Owned by U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 81	10.5	1967	$ 5,187	2.9
1895	125	10.8	1968	5,571	3.0
1900	158	9.1	1969	5,912	3.0
1905	171	6.3	1970	6,320	3.0
1910	173	4.5	1971	6,904	3.1
1915	173	3.3	1972	7,295	3.0
1920	172	2.3	1973	7,693	3.0
1925	266	2.3	1974	8,331	3.2
1930	548	2.9	1975	9,621	3.3
1935	1,990	8.6	1976	10,476	3.3
1940	2,065	6.7	1977	11,060	3.2
1945	857	1.9	1978	11,764	3.0
1950	1,445	2.2	1979	13,007	3.0
1955	2,581	2.9	1980	15,033	3.1
1960	3,765	3.1	1981	18,278	3.5
1965	4,681	3.0	1982	20,624	3.5
1966	4,885	2.9			

Sources: *Spectator Year Book* and American Council of Life Insurance.

Real Estate Owned by U.S. Life Insurance Companies by State 1979 (000 omitted)

State	Farm	Other	Total
Alabama	$ 1,000	$ 74,800	$ 75,800
Alaska	—	4,400	4,400
Arizona	4,000	155,400	159,400
Arkansas	23,000	27,600	50,600
California	63,900	1,756,100	1,820,000
Colorado	13,700	125,400	139,100
Connecticut	—	333,500	333,500
Delaware	—	10,800	10,800
D.C.	—	115,300	115,300
Florida	5,700	759,600	765,300
Georgia	3,400	401,200	404,600
Hawaii	—	85,000	85,000
Idaho	4,000	8,200	12,200
Illinois	17,300	978,400	995,700
Indiana	2,600	281,300	283,900
Iowa	200	71,000	71,200
Kansas	—	88,000	88,000
Kentucky	—	94,100	94,100
Louisiana	300	139,900	140,200
Maine	—	14,900	14,900
Maryland	100	252,600	252,700
Massachusetts	—	641,800	641,800
Michigan	*	399,700	399,700
Minnesota	100	388,500	388,600
Mississippi	44,500	39,800	84,300
Missouri	2,400	258,600	261,000
Montana	*	8,300	8,300
Nebraska	700	190,700	191,400
Nevada	1,100	11,000	12,100
New Hampshire	—	2,700	2,700
New Jersey	*	522,500	522,500
New Mexico	100	65,000	65,100
New York	—	1,198,300	1,198,300
North Carolina	20,000	109,000	129,000
North Dakota	—	10,900	10,900
Ohio	500	396,100	396,600
Oklahoma	200	112,100	112,300
Oregon	12,100	77,200	89,300
Pennsylvania	—	553,100	553,100
Rhode Island	—	36,500	36,500
South Carolina	4,100	78,100	82,200
South Dakota	—	12,600	12,600
Tennessee	2,800	268,900	271,700
Texas	8,400	867,200	875,600
Utah	700	34,800	35,500
Vermont	—	8,700	8,700
Virginia	700	215,600	216,300
Washington	1,500	91,800	93,300
West Virginia	—	20,800	20,800
Wisconsin	1,400	160,200	161,600
Wyoming	900	1,300	2,200
Puerto Rico	—	14,800	14,800
U.S. Territories and Possessions	—	3,000	3,000
Total United States	241,400	12,577,100	12,818,500
Canada	—	183,500	183,500
Other Foreign	—	5,300	5,300
TOTAL	$241,400	$12,765,900	$13,007,300

*Less than $500,000.

Source: American Council of Life Insurance.

Policy Loans

Life insurance company loans to policyholders against the cash values of their life policies amounted to $53.0 billion by year-end 1982, a net increase of $4.3 billion after repayments. This increase follows the record increase of $7.3 billion set in 1981.

Policy loans outstanding accounted for 9.0% of company assets at year-end 1982, down from 9.3% in 1981. The amount of policy loans has been increasing for more than two decades. They did not, however, exceed 5.0% of company assets between 1945 and 1965.

The amount of policy loans outstanding increased 8.7% between 1981 and 1982. The relatively large increases during the past several years are related to the general levels of interest rates on other forms of borrowing. The interest rate guaranteed for a life insurance policy loan has been relatively lower than could be obtained elsewhere.

Tight money conditions led to sharp increases in policy loans in 1973-1974, and again in 1979-1981. The trend indicates that a policy loan interest rate more closely related to the general level of interest rates is appropriate. Legislation permitting flexible policy loan interest rates, based on an index of corporate bonds, has been enacted in most states.

Life companies must make policy loans from funds that they would otherwise invest. Since premium rates are based in part on an anticipated investment return, interest must be charged on the loans. At the same time, the amount of a policy's protection is reduced by the amount of a loan, and policyholders are advised by their life companies that an outstanding loan can seriously impair a family's insurance planning. None of the amounts of policy loans shown here include loans made to policyholders by banks or by other lending institutions holding the borrowers' life insurance policies as collateral.

Policy Loans

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 20	2.6	1967	$ 10,059	5.7
1895	36	3.1	1968	11,306	6.0
1900	89	5.1	1969	13,825	7.0
1905	226	8.3	1970	16,064	7.8
1910	495	12.8	1971	17,065	7.7
1915	780	15.0	1972	18,003	7.5
1920	859	11.7	1973	20,199	8.0
1925	1,440	12.5	1974	22,862	8.7
1930	2,807	14.9	1975	24,467	8.5
1935	3,540	15.2	1976	25,834	8.0
1940	3,091	10.0	1977	27,556	7.8
1945	1,962	4.4	1978	30,146	7.8
1950	2,413	3.8	1979	34,825	8.1
1955	3,290	3.6	1980	41,411	8.6
1960	5,231	4.4	1981	48,706	9.3
1965	7,678	4.8	1982	52,961	9.0
1966	9,117	5.5			

Sources: *Spectator Year Book* and American Council of Life Insurance.

Miscellaneous Assets

U.S. life insurance companies held $48.6 billion in miscellaneous assets at the end of 1982.

Two major components accounting for more than half of the total are due and deferred premiums, and interest and other investment income due and accrued. Due and deferred premiums are premiums that had not yet been received at the end of the year, but for which reserves had been established by the companies. Due and accrued investment income is income that had been earned but not yet received.

Another major item is cash holdings, relatively moderate amounts of which are needed for prompt payments to beneficiaries, policy loans and other services. Other miscellaneous assets illustrate a variety of investment outlets. Assets in the miscellaneous category include electronic data processing equipment, and oil, mineral and timber rights.

In 1981 (the latest year for which data are available) miscellaneous assets included $3.5 billion invested in real estate joint ventures. Under these holdings, the life company forms a partnership with others to share in the ownership, operation, risk and profit of the property.

Many life companies own equipment for lease-back to other businesses. At year-end 1981, $175 million was invested in transportation equipment, including jet aircraft, railroad cars and automotive fleets.

Miscellaneous Assets

U.S. Life Insurance Companies (000,000 omitted)

Year	Amount	% of Assets	Year	Amount	% of Assets
1890	$ 89	11.5	1925	$ 604	5.3
1895	111	9.6	1930	977	5.2
1900	192	11.0	1935	1,705	7.3
1905	201	7.4	1940	1,977	6.3
1910	191	4.9	1945	1,738	3.9
1915	282	5.4	1950	2,591	4.1
1920	474	6.5	1955	3,742	4.1

Year	Cash	Due and Deferred Premiums	Due and Accrued Investment Income	Other	Total Amount	% of Assets
1960	$1,330	$ 2,379	$1,006	$ 558	$ 5,273	4.4
1965	1,503	3,303	1,403	1,025	7,234	4.5
1966	1,547	3,673	1,529	1,048	7,797	4.6
1967	1,576	3,963	1,674	1,214	8,427	4.7
1968	1,682	4,302	1,813	1,353	9,150	4.8
1969	1,634	4,688	1,985	1,657	9,964	5.0
1970	1,758	5,118	2,185	1,848	10,909	5.3
1971	1,763	5,436	2,404	2,229	11,832	5.3
1972	1,981	5,976	2,679	2,491	13,127	5.5
1973	2,071	6,376	2,932	2,678	14,057	5.6
1974	1,999	7,086	3,263	3,037	15,385	5.8
1975	1,925	7,744	3,741	3,564	16,974	5.9
1976	2,003	8,375	4,349	3,775	18,502	5.7
1977	2,130	9,284	5,048	4,589	21,051	6.0
1978	2,367	10,349	5,844	5,173	23,733	6.1
1979	2,670	11,692	6,555	6,646	27,563	6.3
1980	3,210	12,939	7,419	8,134	31,702	6.6
1981	4,279	14,722	8,352	12,741	40,094	7.6
1982	4,612	15,515	9,533	18,911	48,571	8.3

Sources: *Spectator Year Book* and American Council of Life Insurance.

Assets Held In Separate Accounts

Separate account investments totaled $57.3 billion at the end of 1982. Holdings in these accounts increased by $13.2 billion, or 29.9%, during the year.

Of the total amount held, $20.6 billion, or 35.9%, was in common stocks, compared with $16.9 billion, or 38.3%, at the end of 1981. Acquisitions of common stocks for separate accounts amounted to $11.5 billion in 1982 and $10.3 billion of common stocks were disposed of during the year. The increase in common stocks of $3.7 billion consisted of net acquisitions of $1.2 billion and an increase in valuation of $2.5 billion. Holdings of bonds increased 34.6% to $24.6 billion during 1982. Real estate holdings increased by $656 million, or 13.0%, in 1982.

Separate accounts were first used by U.S. life insurance companies in connection with their pension business in the early 1960s. A separate account is a fund established by a life insurance company and held separately from all other assets. State laws provide that assets in separate accounts may be invested without regard to the restrictions that are usually placed on the general investments of life companies. Thus, a separate account portfolio might be comprised of only common stocks, only bonds, only mortgages, or some combination of these investments.

While separate accounts have been used primarily to fund individual and group annuities, the introduction of variable life insurance will increase the use of separate accounting for life insurance purposes. At the end of 1982, six life companies had established separate accounts to back variable life insurance policies.

Distribution of Assets Held In Separate Accounts

U.S. Life Insurance Companies (000,000 omitted)

Year	Bonds	Stocks		Mortgages	Real Estate	Cash	Other	Total
		Common	Preferred					
1967	$ 114	$ 1,055	$ 9	$ 14	*	$ 13	$ 2	$ 1,207
1968	233	1,915	31	20	$ 1	48	21	2,269
1969	638	2,745	48	36	1	52	99	3,619
1970	878	3,955	86	37	2	69	34	5,061
1971	763	6,416	83	87	24	88	62	7,523
1972	948	8,673	71	120	96	68	82	10,058
1973	1,581	7,900	53	171	186	64	75	10,030
1974	2,326	6,158	34	202	372	57	127	9,276
1975	2,553	9,277	46	200	563	55	279	12,973
1976	2,750	12,152	67	214	653	41	346	16,223
1977	4,569	10,946	51	268	803	43	678	17,358
1978	6,604	11,493	35	311	1,146	45	792	20,426
1979	9,187	12,868	34	410	2,097	50	998	25,644
1980	12,392	17,665	40	687	3,341	307	1,340	35,772
1981	18,244	16,909	48	1,401	5,030	359	2,103	44,094
1982	24,563	20,563	78	2,556	5,686	471	3,364	57,281

Note: In 1982, 157 U.S. life companies had assets in separate accounts, compared with 144 companies in 1981.

*Less than $500,000.

Source: American Council of Life Insurance.

LIFE INSURANCE COMPANIES

The number of U.S. legal reserve life insurance companies in business at the end of 1982 totaled an estimated 2,048.

Growth in the number of companies was most rapid between the end of World War II and 1970. The number of companies reached an all-time high in 1982 following a period of relative decline between 1970 and 1977. The data shown here do not include fraternal benefit societies although they may operate on a legal reserve basis.

The great majority of companies added through the years were newly-formed organizations. The others had converted from fraternal and assessment life insurers, or from nonlife insurers, to a legal reserve life company status. Some had been formed by consolidation of two or more existing companies. Others were set up to take over the business of another company. Still others had been reactivated after being dormant. (Companies not actively in business are not included in the total, even though they may be chartered and licensed.)

Most companies that discontinued operations did so by merging with or into other insurers or had all their outstanding business reinsured in other life insurance companies. The remaining companies terminated for various reasons, including conversion to nonlife company status.

The majority of small new companies formed in recent years remain in business. By specializing in meeting the needs of families in specific regions, many have been able to compete successfully with older and larger companies whose operations encompass larger areas.

Of the companies in business at mid-1982, there were at least two domiciled in each state with the exception of Alaska, which has one. Arizona had the largest number, followed by Texas and Louisiana.

Of the companies in business at mid-year 1982, a total of 1,900, or 93%, were owned by stockholders. The remaining 135 were mutual companies. Mutual companies, which are generally older and larger than the stockholder-owned companies, had 57% of the assets of all U.S. life companies and accounted for 43% of life insurance in force. In the past 16 years, five companies have converted from

Number of U.S. Life Insurance Companies

Year	Number	Year	Number	Year	Number
1759	1	1910	284	1967	1,715
1760	1	1915	295	1968	1,763
1770	2	1920	335	1969	1,773
1780	2	1925	379	1970	1,780
1790	3	1930	438	1971	1,765
1800	4	1935	373	1972	1,753
1810	2	1940	444	1973	1,766
1820	6	1945	473	1974	1,757
1830	9	1950	649	1975	1,746
1840	15	1955	1,107	1976	1,742
1850	48	1960	1,441	1977	1,789
1860	43	1961	1,448	1978	1,840
1870	129	1962	1,469	1979	1,895
1880	59	1963	1,488	1980	1,958
1890	60	1964	1,547	1981	1,991
1900	84	1965	1,629	1982	2,048
1905	126	1966	1,704		

Note: Data for 1981 are revised. The figure for 1982 is preliminary.

Sources: *Marketing Life Insurance* (J. Owen Stalson), American Council of Life Insurance and *Best's Review*.

the status of a mutual company to a stock company and two stock companies have converted to mutuals.

In mid-year 1982, most stock companies were located in either the South, 38%, or the West, 35%, with the remaining companies in the North Central region, 18%, and the Northeast, 9%. Mutual companies were domiciled predominantly in the North Central region, 54% of the total, followed by 28% in the Northeast, 13% in the South and 5% in the West.

At year-end 1981, there were 159 life insurance companies that had been writing life insurance for more than 50 years. Among these, 31 were at least a century old. In each of the four geographic divisions of the United States there was at least one company that commenced business 100 years ago or earlier.

The older companies, those over 100 years old, held the majority of assets and life insurance in force at the end of 1981, 62.2% and 44.6%, respectively. Companies in business between 50 and 100 years accounted for 19.3% of the assets and 22.3% of the total in force. Younger companies—those in business for 25 to 50 years—had 7.0% of the assets and 10.2% of the life insurance in force. The relatively newer companies, those in business less than 25 years, had 11.5% of assets and 22.9% of the insurance in force.

Number of U.S. Life Insurance Companies by State, Mid-Year 1982

State	Number	State	Number	State	Number
Alabama	33	Louisiana	103	Oklahoma	71
Alaska	1	Maine	5	Oregon	7
Arizona	534	Maryland	13	Pennsylvania	58
Arkansas	25	Massachusetts	17	Rhode Island	8
California	52	Michigan	27	South Carolina	26
Colorado	23	Minnesota	21	South Dakota	9
Connecticut	22	Mississippi	26	Tennessee	23
Delaware	55	Missouri	44	Texas	226
D.C.	10	Montana	2	Utah	14
Florida	42	Nebraska	30	Vermont	4
Georgia	29	Nevada	3	Virginia	12
Hawaii	8	New Hampshire	4	Washington	22
Idaho	6	New Jersey	14	West Virginia	2
Illinois	91	New Mexico	7	Wisconsin	30
Indiana	57	New York	70	Wyoming	2
Iowa	35	North Carolina	24		
Kansas	20	North Dakota	9	Total U.S.	2,035
Kentucky	15	Ohio	44		

Note: Data are based on reports from individual state insurance departments. These companies are considered legal reserve life insurance companies by their respective state insurance departments but may not meet the requirements for this classification as set by other states.

Source: American Council of Life Insurance.

Change in Number of U.S. Life Insurance Companies in Business in the United States

Year	In Business Start of Year			New Operations	Discontinued	In Business Year-End			Net Changes During Year	
	Stock	Mutual	Total			Stock	Mutual	Total		
1950	478	133	611	44	6	507	142	649	+	38
1951	507	142	649	50	20	531	148	679	+	30
1952	531	148	679	62	11	567	163	730	+	51
1953	567	163	730	117	15	661	171	832	+	102
1954	661	171	832	115	30	753	164	917	+	85
1955	753	164	917	216	26	942	165	1,107	+	190
1956	942	165	1,107	133	49	1,035	156	1,191	+	84
1957	1,035	156	1,191	120	38	1,119	154	1,273	+	82
1958	1,119	154	1,273	142	50	1,212	153	1,365	+	92
1959*	1,212	153	1,365	125	65	1,273	152	1,425	+	60
1960	1,273	152	1,425	96	80	1,286	155	1,441	+	16
1961	1,286	155	1,441	87	80	1,292	156	1,448	+	7
1962	1,292	156	1,448	101	80	1,312	157	1,469	+	21
1963	1,312	157	1,469	86	67	1,332	156	1,488	+	19
1964	1,332	156	1,488	131	72	1,393	154	1,547	+	59
1965	1,393	154	1,547	149	67	1,475	154	1,629	+	82
1966	1,475	154	1,629	156	81	1,550	154	1,704	+	75
1967	1,550	154	1,704	90	79	1,561	154	1,715	+	11
1968	1,561	154	1,715	112	64	1,608	155	1,763	+	48
1969	1,608	155	1,763	74	64	1,619	154	1,773	+	10
1970	1,619	154	1,773	73	66	1,627	153	1,780	+	7
1971	1,627	153	1,780	49	64	1,612	153	1,765	-	15
1972	1,612	153	1,765	76	88	1,603	150	1,753	-	12
1973	1,603	150	1,753	75	62	1,619	147	1,766	+	13
1974	1,619	147	1,766	73	82	1,612	145	1,757	-	9
1975	1,612	145	1,757	63	74	1,603	143	1,746	-	11
1976	1,603	143	1,746	85	89	1,602	140	1,742	-	4
1977	1,602	140	1,742	89	42	1,647	142	1,789	+	47
1978	1,647	142	1,789	117	66	1,700	140	1,840	+	51
1979	1,700	140	1,840	116	61	1,758	137	1,895	+	55
1980	1,758	137	1,895	155	92	1,823	135	1,958	+	63
1981	1,823	135	1,958	137	104	1,855	136	1,991	+	33
1982	1,855	136	1,991	N.A.	N.A.	N.A.	N.A.	2,048	+	57

Note: Data for 1981 are revised. The figure for year-end 1982 is preliminary. A change in domicile is reflected in both new and discontinued operations.

N.A.—Not available.

*Includes seven companies domiciled in Alaska and Hawaii which were started in earlier years.

Source: American Council of Life Insurance.

Number of U.S. Life Insurance Companies In Business, Year-End 1981

Year Commenced Business	Stock	Mutual	Total
1875 and Prior	8	23	31
1876-1925	94	32	126
1926-1950	168	40	208
1951-1960	350	19	369
1961-1970	455	18	473
1971-1981	780	4	784
Total	1,855	136	1,991

Source: American Council of Life Insurance.

EMPLOYMENT IN INSURANCE

The insurance business in the United States employed an estimated 1,970,000 persons in all of its branches in 1982.

Government data on employees of insurance agencies and home offices in 1982 on an establishment basis show a total of 1,224,500 insurance home office personnel (539,500 in life insurance) and 475,500 insurance agents, brokers and service personnel. Women accounted for 61% of home office personnel (56% of life insurance home office personnel), and 63% of agents, brokers and service personnel. The government data do not include an estimated 270,000 independent agents and agents and other personnel for whom employment in insurance is a secondary source of income.

During 1967, the most recent year for which detailed data are available, some 740,000 persons worked in life insurance, either exclusively or together with other kinds of insurance. About 570,000 persons worked solely in other branches of insurance, mostly property, casualty and liability lines, bringing the total in that year to 1,310,000.

Employment in the insurance business continues to rise. However, increases in personnel have been relatively smaller than increases in sales, indicating larger unit sales and more efficiency in handling the detailed records necessary in any insurance operation. Automation is particularly suitable for many phases of insurance work and has contributed measurably to efficiency.

Sales personnel numbered about 450,000 in 1967. Almost half of them—220,000 persons—derived from 50% to 100% of their income from the sale of life insurance; the other 230,000 derived less than 50%.

In 1967, the insurance business employed 690,000 men and 620,000 women. The sales force was predominantly male, but women outnumbered men in nonsales work. Nearly 75% of nonsales personnel were clerical, and of these about 80% were women. Close to 20% of nonsales workers were in managerial positions, while the remaining 6% of workers were professional or technical.

Number of Persons Employed in Insurance in the United States

Year	Annual Average	Year	Annual Average
1945	600,000	1976	1,675,000
1950	800,000	1977	1,715,000
1955	900,000	1978	1,775,000
1960	1,105,000	1979	1,830,000
1965	1,225,000	1980	1,880,000
1970	1,460,000	1981	1,905,000
1975	1,640,000	1982	1,970,000

Note: Data estimated by American Council of Life Insurance, based on establishment data from the U.S. Department of Labor.

Sources: American Council of Life Insurance and U.S. Department of Labor.

LIFE EXPECTANCY

The average length of a person's life in the United States has increased by more than 50% during this century.

Most of the improvement in life expectancy took place during the first half of the century. Little change has occurred since the mid-1950s. Between 1900 and 1955, life expectancy increased by 22.3 years, but since 1955, it has increased by only 4.5 years to 74.1 years in 1981 (the latest year for which data are available).

The 0.3 year increase in life expectancy in 1981 follows a 0.1 year decline in life expectancy in the U.S. in 1980. The decline was attributable to higher death rates associated with an influenza epidemic in 1980.

But while this century's advances in medicine, public health and safety have added to people's lives, the benefits have not been distributed equally. By far the largest increase in life expectancy has been among the newborn as a result of sharp reductions in mortality among infants and young children. Increases in life expectancy have been progressively smaller at older ages, and smaller for men than for women at all ages.

The measure of life expectancy results from the calculation of the average number of years of life that remain to a group of persons now at the same age, based on a particular mortality table. The measurement refers to the entire group and cannot be taken to indicate how long a particular individual may expect to live.

The gain in life expectancy for women since the turn of the century has been greater than for men at nearly all ages. Female life expectancy at birth has increased by 29.6 years since 1900, while male life expectancy has increased by 24.0 years. The difference in the average length of life between men and women has increased. Life expectancy at age 40 was about 1.4 years longer for a woman than for a man at the turn of the century; it is now 6.2 years longer.

Expectation of Life at Birth in the United States (Years)

	White			All Other			Total		
Year	Male	Female	Total	Male	Female	Total	Male	Female	Total
1900	46.6	48.7	47.6	32.5	33.5	33.0	46.3	48.3	47.3
1910	48.6	52.0	50.3	33.8	37.5	35.6	48.4	51 8	50.0
1920	54.4	55.6	54.9	45.5	45.2	45.3	53.6	54.6	54.1
1930	59.7	63.5	61.4	47.3	49.2	48.1	58.1	61.6	59.7
1940	62.1	66.6	64.2	51.5	54.9	53.1	60.8	65.2	62.9
1950	66.5	72.2	69.1	59.1	62.9	60.8	65.6	71.1	68.2
1960	67.4	74.1	70.6	61.1	66.3	63.6	66.6	73.1	69.7
1965	67.6	74.7	71.0	61.1	67.4	64.1	66.8	73.7	70.2
1970	68.0	75.6	71.7	61.3	69.4	65.3	67.1	74.8	70.9
1971	68.3	75.8	72.0	61.6	69.8	65.6	67.4	75.0	71.1
1972	68.3	75.9	72.0	61.5	70.1	65.7	67.4	75.1	71.2
1973	68.5	76.1	72.2	62.0	70.3	66.1	67.6	75.3	71.4
1974	69.0	76.7	72.8	62.9	71.3	67.1	68.2	75.9	72.0
1975	69.5	77.3	73.4	63.7	72.4	68.0	68.8	76.6	72.6
1976	69.9	77.5	73.6	64.2	72.7	68.4	69.1	76.8	72.9
1977	70.2	77.9	74.0	64.7	73.2	68.9	69.5	77.2	73.3
1978	70.4	78.0	74.1	65.0	73.5	69.3	69.6	77.3	73.5
1979	70.8	78.4	74.6	65.4	74.1	69.8	70.0	77.8	73.9
1980*	70.7	78.3	74.5	65.3	74.0	69.6	70.0	77.7	73.8
1981*	71.0	78.5	74.7	66.1	74.5	70.3	70.3	77.9	74.1

*Provisional data.

Note: Some data are revised.

Source: National Center for Health Statistics, U.S. Department of Health and Human Services.

In contrast, the difference in life expectancy between white and nonwhite Americans has been greatly reduced in this century. Generally, the gain for nonwhite males has exceeded that for white males at all ages. Nonwhite females showed the greatest gains at the younger and older ages. For white females, life expectancy improved most between the ages of about 45 and 65.

In 1981, the difference in life expectancy between white and nonwhite persons at birth was 4.0 years for females and 4.9 years for males, and this difference decreased with age.

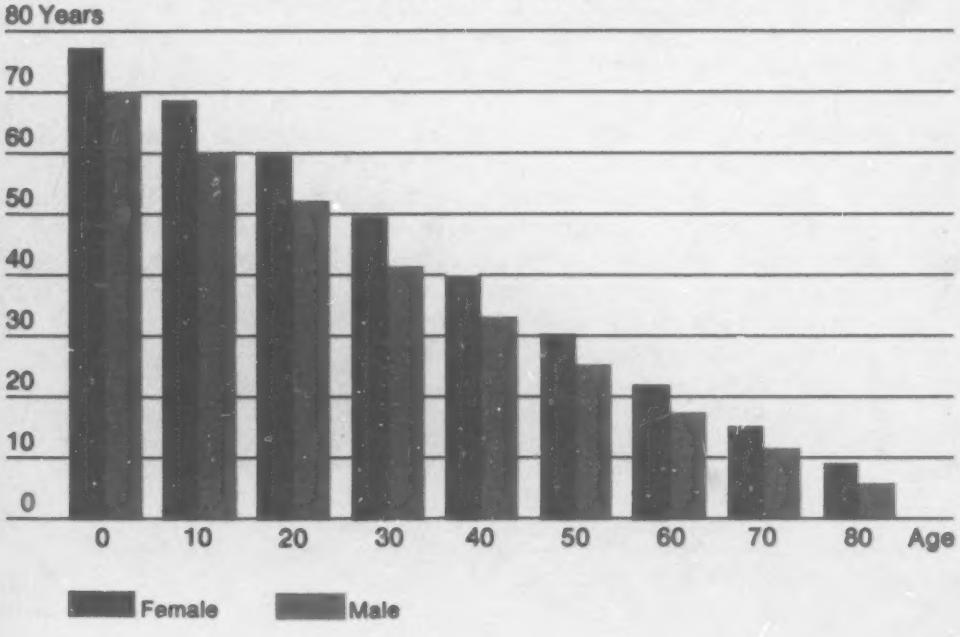
Expectation of Life at Various Ages in the United States 1981

	White			All Other			Total		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total
0	71.0	78.5	74.7	66.1	74.5	70.3	70.3	77.9	74.1
1	70.8	78.2	74.5	66.4	74.6	70.5	70.2	77.7	74.0
5	67.0	74.3	70.7	62.6	70.8	66.7	66.4	73.9	70.2
10	62.1	69.4	65.8	57.7	65.9	61.9	61.5	68.9	65.3
15	57.2	64.5	60.8	52.8	61.0	57.0	56.7	64.0	60.4
20	52.6	59.6	56.1	48.1	56.1	52.2	52.0	59.2	55.6
25	48.0	54.8	51.4	43.7	51.4	47.6	47.5	54.3	50.9
30	43.4	49.9	46.7	39.4	46.7	43.1	42.9	49.5	46.3
35	38.8	45.1	42.0	35.1	42.0	38.6	38.3	44.7	41.6
40	34.2	40.3	37.3	30.9	37.4	34.2	33.8	40.0	36.9
45	29.7	35.7	32.7	26.9	33.0	30.0	29.3	35.3	32.4
50	25.4	31.1	28.3	23.1	28.9	26.1	25.1	30.9	28.1
55	21.4	26.8	24.2	19.7	24.8	22.4	21.2	26.6	24.0
60	17.7	22.7	20.3	16.7	21.2	19.0	17.6	22.5	20.2
65	14.4	18.8	16.8	14.0	17.8	16.1	14.3	18.7	16.7
70	11.5	15.2	13.5	11.5	14.7	13.3	11.5	15.1	13.5
75	9.0	11.9	10.7	9.4	11.9	10.8	9.0	11.9	10.7
80	6.8	9.0	8.2	7.2	9.3	8.4	6.9	9.0	8.2
85 and Up	5.2	6.6	6.1	5.4	7.0	6.4	5.2	6.7	6.2

Note: Data are provisional.

Source: National Center for Health Statistics, U.S. Department of Health and Human Services.

Expectation of Life at Various Ages in the United States 1981



CAUSES OF DEATH

In recent decades, the overall death rate of the U.S. population has decreased due to medical developments, improvements in public health and job safety, and rising standards of living. The crude death rate in 1982 was 8.6 per 1,000 population, down from 8.7 in 1981.

Medical improvements and environmental changes have been more effective in reducing deaths from some causes than others. There has been increasing success in identifying and controlling contagious diseases, but there has been less success in controlling deaths from accidental causes.

In 1982, the deaths of 7 out of 10 ordinary life insurance policyholders with U.S. life companies were due to two principal causes: cardiovascular-renal diseases and cancer.

Since the 1950s, deaths attributable to cardiovascular-renal diseases have decreased slightly, whereas cancer has been an increasing cause of death. These trends have followed those of the general population of the United States.

The percentage of deaths due to cardiovascular-renal diseases declined to 47.6% of all deaths in 1982. Deaths due to ischemic heart disease and chronic disease of endocardium and other myocardial insufficiencies were 28.0% in 1982. Cerebrovascular diseases also declined, to 5.1%. Heart disease has decreased significantly in recent years and has affected the overall declining death rate.

The proportion of deaths due to cancer continued to increase; 23.8% of policyholder deaths were attributed to this cause.

Motor vehicle accidents are another major cause of death. Between 1965 and 1973, motor vehicle deaths annually accounted for about 3.5% of policyholder deaths. In 1974 and 1975 motor vehicle accidents accounted for 3.0% of policyholder deaths, but in 1976 the percentage began rising, to 3.3% in 1978, 1979 and 1980. In 1982, the percentage of deaths due to this cause declined to its lowest level since 1945, 2.7%.

The percentage of deaths attributable to accidents, other than those involving motor vehicles, amounted to 2.3% of policyholder deaths in 1982. Two other external causes of death, suicide and homicide, represented 2.4% of deaths.

Over the years, the nation's life insurance companies have made significant contributions to basic research relating to causes of death. Cardiology was a prime research area after World War II. The recent focus has been in the areas of delivery of health care services and preventive medicine. A new Life and Health Insurance Medical Research Fund, supported by insurance company contributions, provides funds for basic medical research and scholarships for students planning careers in medical research and teaching. The life insurance business is also a major contributor to the National Fund for Medical Education, which provides grants for research and innovation in medical education and postgraduate fellowships for medical educators.

Distribution of Ordinary Policyholder Deaths by Cause

U.S. Life Insurance Companies

Cause of Death	1945	1950	1955	1960	1965	1970
NATURAL CAUSES						
Cardiovascular-renal Disease	49.3%	57.0%	57.2%	55.7%	53.9%	52.1%
Cancer	14.8	17.3	18.6	18.7	19.2	20.1
Pneumonia and Influenza	3.1	1.9	2.0	3.2	3.1	3.3
Tuberculosis (all forms)	2.8	1.3	0.5	0.3	0.2	0.1
Diabetes	1.5	1.3	0.9	1.0	1.1	1.0
Other Diseases*	18.2	12.0	12.3	13.1	13.6	14.5
Total Natural Causes	89.7	90.8	91.5	92.0	91.1	91.1
EXTERNAL CAUSES						
Motor Vehicle Accidents	2.3	3.1	3.1	2.9	3.6	3.5
Other Accidents	5.9	3.6	3.2	3.1	3.2	3.1
Suicide	1.9	2.2	2.0	1.8	1.8	1.7
Homicide	0.2	0.3	0.2	0.2	0.3	0.6
Total External Causes	10.3	9.2	8.5	8.0	8.9	8.9
Total All Causes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cause of Death	1975	1978	1979	1980	1981	1982
NATURAL CAUSES						
Cardiovascular-renal Disease						
Diseases of the Heart and Hypertension						
Ischemic Heart Disease and Other Myocardial Insufficiencies	32.3%	31.7%	30.7%	29.2%	28.6%	28.0%
Hypertensive Heart Disease and Hypertension	1.3	1.2	1.3	1.5	1.7	1.6
Other Diseases of the Heart	4.6	5.4	6.0	7.3	7.6	8.3
Total Diseases of the Heart	38.2	38.3	38.0	38.0	37.9	37.9
Cerebrovascular Disease	6.7	6.1	6.0	5.6	5.3	5.1
Arteriosclerosis and Other Diseases of Arteries, Arteriolas and Capillaries	3.3	2.9	2.9	2.9	3.0	3.1
Other	1.6	1.5	1.3	1.4	1.5	1.5
Total Cardiovascular-renal	49.8	48.8	48.2	47.9	47.7	47.6
Cancer	21.4	22.4	23.1	23.2	23.5	23.8
Pneumonia and Influenza	2.8	2.7	2.5	2.6	2.7	2.5
Diabetes	1.0	0.9	0.9	0.9	1.0	1.0
Other Diseases						
Bronchitis and Other Respiratory Diseases	2.9	3.1	3.1	3.2	3.7	3.7
Cirrhosis	1.3	1.2	1.2	1.1	1.2	1.1
Other*	12.0	12.4	12.4	12.7	12.5	12.9
Total Other Diseases	16.2	16.7	16.7	17.0	17.4	17.7
Total Natural Causes	91.2	91.5	91.4	91.6	92.3	92.6
EXTERNAL CAUSES						
Motor Vehicle Accidents	3.0	3.3	3.3	3.3	3.0	2.7
Other Accidents	3.1	2.7	2.7	2.6	2.3	2.3
Suicide	1.8	1.7	1.7	1.6	1.6	1.6
Homicide	0.9	0.8	0.9	0.9	0.8	0.8
Total External Causes	8.8	8.5	8.6	8.4	7.7	7.4
Total All Causes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: A small number classified as "War Deaths" is included in "Other Diseases" in the data for 1960 and 1965; in other years the category is excluded. If "War Deaths" were included in the 1982 data, this category would be .03% of the resulting distribution.

*Includes those causes not specified.

Source: American Council of Life Insurance.

Death Rate

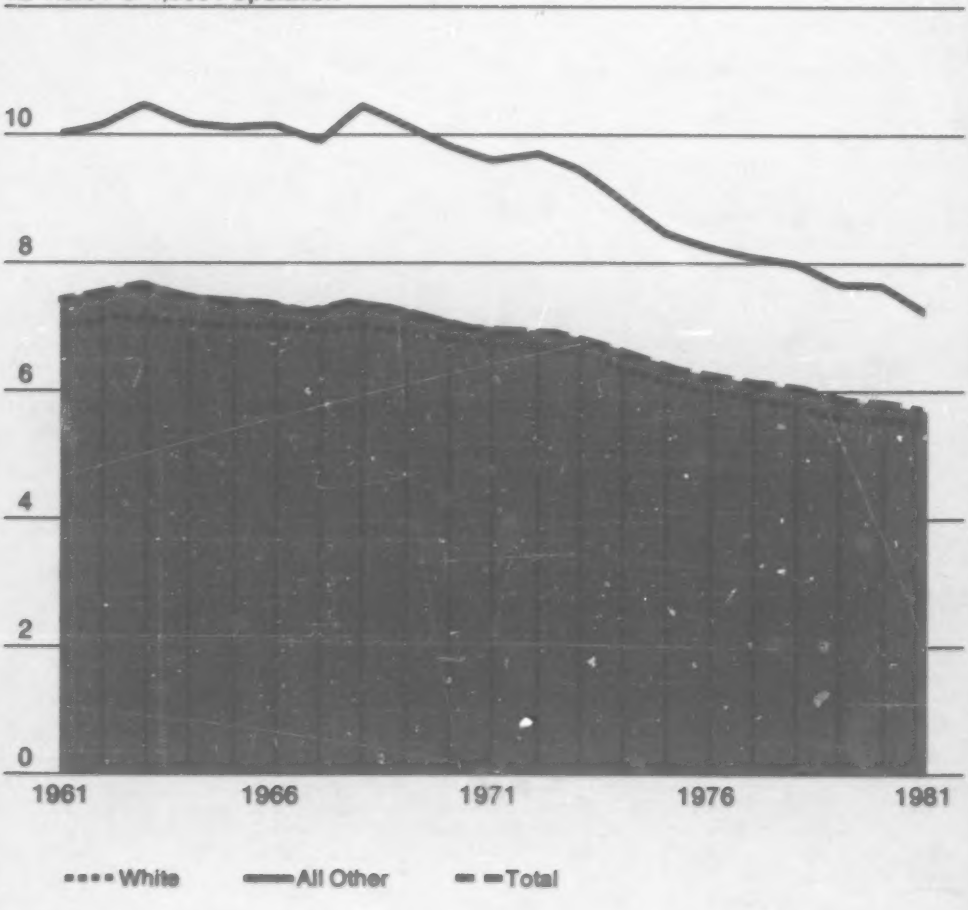
Mortality among Americans, as measured by the death rate, has decreased in recent years, after remaining at about the same level for more than a decade.

The age-adjusted death rate (technically adjusted for the changing proportion of people at each age in the U.S. population) was 5.7 per thousand in 1981 (the latest year for which data are available), the lowest rate ever recorded. In 1967, the age-adjusted rate was 7.3. From 1967 to 1972 there was a 4.1% drop to 7.0. The drop from 1972 to 1981 was even more significant—a decrease of 18.6%.

The decrease in mortality reflects continuing downtrends for two causes of death: diseases of the heart and cerebrovascular diseases. The age-adjusted mortality rates for these two causes, which accounted for 41.1% of the 1981 age-adjusted mortality rate for all causes combined, have decreased 24.8% from 1972 to 1981, compared to 6.9% from 1967 to 1972.

For 1981 the age-adjusted death rate for the male population was 7.6 per thousand, compared with the female rate of 4.2 per thousand. Similarly, the rate for persons of races other than white was 7.3 per thousand, compared with a rate of 5.5 per thousand for white persons.

Age-Adjusted Death Rate in the United States



During the first half of this century there was a sharp decline in the death rate due to advances in medicine. This decline resulted in a reduction of deaths at young and middle ages, so that many more people now live into their seventies and eighties.

Between 1950 and 1970, however, there was relatively little change in the age-adjusted death rate for the total population. As the seventies began, the death rate began to decline more noticeably, falling from 7.3 per thousand in 1969 to 5.7 per thousand in 1981. During the same period, the death rate for nonwhites declined even more significantly, from 10.2 per thousand to 7.3 per thousand. Since 1969, the overall death rate for women has dropped more significantly than the death rate for men. The rate per thousand for men declined from 9.5 per thousand to 7.6, a decrease of 20%; for women the change was from 5.4 per thousand in 1969 to 4.2 per thousand in 1981, a decrease of 22.2%.

Because life insurance policyholders as a group represent a large proportion of the total population, their overall mortality rates are likely to parallel those for the nation as a whole. Even though the actual experience of a particular life company may differ from the general pattern, long-term population mortality trends are a useful indicator of the probable experience of most life companies. If the general death rate in the United States declines, the rate among life insurance policyholders is likely to drop.

The major causes of death among policyholders of ordinary life insurance in 1982, as in recent decades, were cardiovascular-renal diseases and cancer.

Death Rate in the United States

Age-Adjusted Rate Per 1,000 Population

Year	Male	Female	Total	Year	Male	Female	Total
1915	15.4	13.4	14.4	1969	9.5	5.4	7.3
1920	14.7	13.8	14.2	1970	9.3	5.3	7.1
1925	13.8	12.2	13.0	1971	9.1	5.2	7.0
1930	13.5	11.3	12.5	1972	9.2	5.2	7.0
1935	12.9	10.4	11.6	1973	9.1	5.1	6.9
1940	12.1	9.4	10.8	1974	8.7	4.9	6.6
1945	11.1	8.0	9.5	1975	8.4	4.6	6.3
1950	10.0	6.9	8.4	1976	8.2	4.6	6.2
1955	9.3	6.1	7.7	1977	8.0	4.4	6.0
1960	9.5	5.9	7.6	1978	7.9	4.4	6.0
1965	9.5	5.6	7.4	1979	7.7	4.2	5.8
1966	9.5	5.6	7.4	1980*	7.8	4.3	5.8
1967	9.4	5.5	7.3	1981*	7.6	4.2	5.7
1968	9.7	5.6	7.4				

*Provisional data.

Note: Some data are revised. Rates have been computed using the 1940 age distribution of the United States population as the standard population. Figures for 1915-1930 are for Death Registration States only; 1935-1981 are for the United States.

Source: National Center for Health Statistics, U.S. Department of Health and Human Services.

SELECTION OF RISKS

The great majority of Americans who apply for life insurance are able to get it. About 98% of the applications for ordinary life insurance in the United States are accepted by the life companies, according to the latest in a series of surveys.

Only 2% of ordinary life applications are not acceptable. More than three-fourths of these applicants have serious health impairments, while the remainder are declined because of other factors, including extremely hazardous jobs.

Life companies have been successful over the years in solving the problems presented by two conflicting underwriting objectives. The selection procedures must provide the benefit of life insurance protection to the greatest possible number of people. Yet, in fairness to all policyholders, life insurance companies must take into account individual differences among applicants, such as age, sex, family health background, medical history, occupation and avocation.

With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau, an association of member life insurance companies founded by medical directors to alert underwriters to inaccuracies, omissions and willful attempts at fraud. The life insurance company may also ask the family physician for additional details about an applicant's health, with the applicant's permission.

Several developments have contributed to the high rate of acceptance of applicants. Extra-risk life insurance policies, with higher premiums to compensate for poor health or hazardous occupations, have made insurance available to many who could not otherwise obtain it. And advances in medicine, job safety and public health have led to more liberal underwriting of policies, enabling many persons to buy insurance at standard rates who would formerly have had to pay higher premiums because of their health or occupations.

In 1980, the Society of Actuaries and the Association of Life Insurance Medical Directors released findings from a major new statistical investigation of the effects of weight and blood pressure on mortality.

The study, a follow-up to the landmark 1959 Build and Blood Pressure Study, provided important new information linking excess weight and untreated hypertension with increased risk of death. Among the findings was the fact that people who weigh a little less than average have slightly lower death rates than individuals of average weight for their height.

Ordinary Life Insurance Applications in the United States

	1976		1980	
	Number of Policies	Amount	Number of Policies	Amount
ISSUED AND PAID FOR				
Standard	84%	79%	84%	80%
Extra-Risk	5	5	4	4
Total	89	84	88	84
NOT TAKEN BY APPLICANT				
Standard	7	10	8	12
Extra-Risk	1	3	2	2
Total	8	13	10	14
DECLINED BY COMPANY	3	3	2	2
TOTAL	100%	100%	100%	100%

Source: American Council of Life Insurance.

While the findings reaffirmed the extra risk of death among individuals with elevated blood pressure, new evidence showed that individuals successfully treated for high blood pressure experienced a near normal risk of death.

In 1980, extra-risk policies accounted for 5% of all the ordinary life insurance policies issued and paid for and 4% of all the ordinary policies in force at the end of the year.

A sample of the extra-risk policies bought in 1980 showed that 78% of the policies with extra-rating were rated for medical reasons, including: cardiovascular-renal disease or its symptoms, 31%; weight problems, 18%; other medical reasons, 29%. The remaining 22% were for occupational or other reasons.

Liberalization of underwriting is a continuing process in life insurance. For instance, companies often insure, at standard rates, cancer victims who have fully recovered. Skindivers, who in former years had to pay higher premiums for life insurance, if they could get it at all, now can usually obtain policies at standard rates. Changes in underwriting policy are supported by research into the effects of various health and occupational hazards on life expectancy and mortality.

Standard and Extra-Risk Ordinary Life Insurance in the United States

	Purchased During Year		Insurance In Force at End of Year	
	Policies	Amount	Policies	Amount
1976				
Standard	12,506,000	$200,464,000,000	131,052,000	$1,119,613,000,000
Extra-Risk	713,000	13,320,000,000	5,674,000	58,059,000,000
Total	13,219,000	$213,784,000,000	136,726,000	$1,177,672,000,000
1980				
Standard	14,049,000	$367,414,000,000	141,788,000	$1,685,830,000,000
Extra-Risk	701,000	18,161,000,000	5,923,000	74,644,000,000
Total	14,750,000	$385,575,000,000	147,711,000	$1,760,474,000,000

Source: American Council of Life Insurance.

OTHER TYPES OF LIFE INSURANCE

Legal reserve life insurance companies accounted for 97.5% of life insurance in force in the United States at the end of 1982. The remainder, $114.3 billion, was issued by other private insurers and by the Federal government.

Veterans life insurance in force totaled $30.9 billion, including $328 million of U.S. Government Life Insurance (World War I), and $30.6 billion of National Service Life Insurance (World War II plus Insurance Act of 1951). The latter category includes insurance provided through a 1964 law which temporarily reopened enrollment for certain veterans whose disabilities made private life insurance unobtainable.

In addition to those government programs, legislation enacted in 1965 established Servicemen's Group Life Insurance (SGLI) for men and women on active duty in the uniformed services. Under the original program, up to $10,000 of group life insurance was available to each individual on a voluntary basis and nearly all of those who were eligible took this protection.

Legislation since then has substantially liberalized and extended the SGLI program. The maximum limit now is $35,000, and automatic full-time coverage is extended to all qualified reservists, including members of the National Guard. Retired reservists who have completed 20 years of creditable service are also eligible for coverage on a voluntary basis.

Veterans Life Insurance (000,000 omitted)

	Insurance In Force		Benefit Payments				Supplementary Contract Payments	Premium Income
Year	Policies	Amount	Death Payments	Dividends	Other Benefits	Total		
1941	1	$ 5,034	$ 39	$ 8	$ 36	$ 83	$ 15	$ 67
1945	13	98,426	1,227	8	27	1,262	240	1,029
1950	7	45,286	204	625	50	879	325	465
1955	6	42,728	114	196	56	366	319	471
1960	6	42,030	162	262	67	491	307	550
1965	6	39,369	219	222	81	522	238	579
1970	5	37,474	301	274	142	717	216	579
1971	5	36,925	312	285	138	735	209	586
1972	5	36,591	326	297	123	746	307	703
1973	5	36,214	341	302	130	773	195	647
1974	5	35,736	361	334	126	821	189	646
1975	5	35,257	359	376	132	867	183	655
1976	5	34,721	374	403	151	928	184	679
1977	5	34,207	382	444	169	995	178	673
1978	5	33,657	393	482	174	1,049	170	684
1979	5	33,002	401	562	206	1,169	175	680
1980	5	32,378	429	615	220	1,264	180	708
1981	4	31,690	447	659	250	1,356	180	728
1982	4	30,941	452	667	260	1,379	163	743

Note: "Death Payments" represent the face amounts of death claims incurred during the year, including amounts left to be paid under supplementary contracts. "Supplementary Contract Payments" represent the total payments from accumulated insurance policy proceeds left to be paid in monthly installments, and withdrawals of dividend accumulations. Servicemen's Group Life Insurance data are excluded.

Source: Veterans Administration, U.S. Government.

In addition, a new program was introduced in 1974, Veterans Group Life Insurance (VGLI). The VGLI program provides non-renewable, five-year term life insurance in amounts up to $35,000 to all terminating servicemen and women. When the term insurance expires, the veteran may convert to an individual life insurance policy issued by any company participating in the SGLI program.

Servicemen's Group Life Insurance is supervised by the Veterans Administration, and is chiefly underwritten by 331 life insurance companies. Totals of SGLI in force are included in the life insurance companies' figures in this book rather than under these government programs.

Legal reserve life insurance was also in force with fraternal benefit societies in the United States and Canada, and amounted to $68.6 billion in 1982, an increase of $5.2 billion over 1981. Benefit payments amounted to $982 million for the year. In 1982 there were some 200 fraternal benefit societies with 48,088 lodges in the United States and Canada.

Legal reserve life insurance in force with savings banks in the states of Connecticut, Massachusetts and New York amounted to $14.7 billion in 1982, an increase of 2.9% during the year. The banks issued $1.1 billion during the year, $136 million less than the previous year. The limit on individual coverage with savings banks varies by state. Connecticut has a limit of $25,000, Massachusetts, $64,000, and New York, $30,000.

The amount of life insurance protection now in force with assessment associations, mutual aid groups, burial societies and similar organizations is not available but is believed to be very small in proportion to all other life insurance.

Fraternal and Savings Bank Life Insurance (000,000 omitted)

	1977	1978	1979	1980	1981	1982
FRATERNAL LIFE INSURANCE (U.S. and Canadian Societies)						
Insurance In Force	$44,333	$49,084	$53,016	$58,306	$63,354	$68,599
Insurance Purchased	6,737	7,548	7,982	8,916	10,045	11,508
Assets	7,679	8,358	9,072	10,032	10,921	12,089
Benefits	495	528	601	682	824	982
Premium Income	791	822	943	1,000	1,207	1,506
SAVINGS BANK LIFE INSURANCE						
Connecticut						
Insurance In Force	$ 765	$ 1,005	$ 1,173	$ 1,275	$ 1,410	$ 1,506
Insurance Purchased*	81	248	180	118	175	164
Assets	36	39	42	45	48	52
Benefits	4	5	6	6	7	7
Premium Income	5	7	8	9	10	11
Massachusetts						
Insurance In Force	$ 2,383	$ 2,552	$ 2,736	$ 3,128	$ 3,441	$ 3,681
Insurance Purchased	138	172	226	496	437	408
Assets	358	377	396	416	443	468
Benefits	32	33	34	37	42	44
Premium Income	31	33	35	38	47**	44**
New York						
Insurance In Force	$ 6,824	$ 7,713	$ 8,449	$ 8,941	$ 9,484	$ 9,557
Insurance Purchased	615	607	612	615	622	526
Assets	369	405	443	481	519	553
Benefits	43	49	54	60	65	71
Premium Income**	67	74	80	84	89	92

N.A. = Not Available.

*Purchases include reinsurance assumed, revivals and increases.

**Includes annuity considerations.

Sources: The National Fraternal Congress of America; The Savings Bank Life Insurance Company of Connecticut; Savings Bank Life Insurance Council (Massachusetts figures reported as of October 31); Saving Banks Life Insurance Fund (New York).

LIFE INSURANCE IN VARIOUS COUNTRIES

The life insurance data presented in this chapter represent, for the most part, the countries of Western Europe, North America, Asia and the major portion of Australasia.

One way of comparing national levels of life insurance ownership is through data on life insurance in force. However, direct comparisons are impractical because countries vary widely in economic conditions, personal income levels, living and health standards and other circumstances. So conversion of the amounts of life insurance in force in each country to a common currency would not yield a reasonable international comparison.

An index that reduces the influence of these differences is the ratio of life insurance in force to national income. It serves as a measure of the significance of life insurance protection in each country. Such ratios have, in general, shown improvement during the past decade.

By this statistical measure, Japan leads all other nations for which data are currently available. Canada ranks second, followed by the United States. The other countries in which life insurance in force equals or exceeds national income are the Netherlands, Sweden, New Zealand, Australia and Ireland.

In the United Kingdom, life insurance in force reached £207.8 billion by year-end 1982. In 1982, this protection included £189.0 billion of ordinary, excluding pension business, and £18.8 billion of industrial.

Ratio of Life Insurance in Force to National Income in Various Countries

Country	1976	1981	Country	1976	1981
Australia	100%	109%	Korea	12%	36%**
Austria	20	29	Netherlands	109	130
Brazil	17	31	New Zealand	140	110
Canada	151	169	Norway	38	41
Costa Rica	36	30	Pakistan	17*	17
Denmark	49	62	Peru	8	3
Finland	21	17	Philippines	21	21
France	92	99**	Spain	15	26
Germany (F.R.)	50	64	Sweden	128	115**
Honduras	21	32	Switzerland	80	88
Iceland	10	10	Tanzania	3	5
India	24	23	Thailand	5	7
Indonesia	3	3	United Kingdom	72	81
Ireland	69	104	United States	152	156
Italy	11	8	Venezuela	26	26
Japan	232	300	Zambia	N.A.	10

Note: National income data is on a "market prices" basis. In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A. = Not available. *Data are for 1975. **Data are for 1980.

Sources: American Council of Life Insurance and International Monetary Fund.

Life Insurance in Force in Various Countries

(000,000 omitted)

Country	Currency	1960	1970	1980	1981	1982
Australia	Dollar	8,464	39,710	120,799	139,907	159,454
Austria	Schilling	9,132	40,104	237,198	263,889	284,000
Brazil	Cruzeiros	N.A.	N.A.	2,218,301	7,686,667	15,000,000
Canada	Dollar	46,867	118,822	431,194	497,026	543,493
Chile	Peso	N.A.	N.A.	2,033	5,572	N.A.
China (Taiwan)	N.T. Dollar	969*	19,674*	304,976*	387,658	567,365
Costa Rica	Colon	494	1,884	12,704	14,403	N.A.
Denmark	Krone	11,270	47,576	196,382	222,354	235,000
Egypt	Egyptian Pound	146,948	155,312	N.A.	904,879	1,206,600
Finland	Markka	4,742	11,938	27,179	30,914	33,000
France	Franc	53,289	292,000	2,426,000	2,849,000	3,300,000
Germany (F.R.)	D. Mark	65,616	235,234	785,138	860,929	919,707
Guatemala	Quetzale	N.A.	N.A.	4	4	5
Honduras	Lempiras	N.A.	N.A.	1,020	1,486	1,678
Iceland	New Krona	3	48	1,143	1,811	N.A.
India	Rupee	21,760	N.A.	278,829	317,852	N.A.
Indonesia	Rupiah	N.A.	10,689	1,275,189	1,640,360	1,871,824
Ireland	Irish Pound	180	947	7,090	9,435	11,750
Israel	Shekel	30	577	82,140	199,829	539,428
Italy	Lira	2,201,611	7,336,032	24,634,706	28,172,980	N.A.
Japan	Yen	6,696,943	74,938,370	572,328,000	646,845,645	691,319,600
Korea	Won	9,855	264,451	11,377,847	19,880,592	41,922,776
Luxembourg	Franc	N.A.	N.A.	45,710	51,640	59,000
Malaysia	Ringgit	N.A.	1,570	11,295	15,335	20,016
Mexico	Peso	N.A.	110,993	1,289,563	1,804,985	2,700,000
Netherlands	Guilder	38,915	112,288	379,500	407,000	415,000
New Zealand	Dollar	2,278	6,894	25,593	28,985	34,066
Nicaragua	Cordoba	N.A.	N.A.	540	782	915
Norway	Krone	8,518	22,411	92,720	111,906	136,987
Pakistan	Rupee	1,431	12,211	46,176	48,340	52,111
Paraguay	Guaranie	N.A.	N.A.	N.A.	208,226	221,895
Peru	Sol	3,102	18,572	165,419	225,443	706,301
Philippines	Peso	2,108	10,437	47,988	56,234	64,500
Poland	Zloty	59,950	252,715	843,949	935,140	960,346
Portugal	Escudo	N.A.	665	2,573	3,198	4,114
Spain	Peseta	25,826	184,250	2,644,820	3,944,784	4,500,000
Sweden	Krona	33,550	196,900	525,000	600,000	650,000
Switzerland	Franc	17,301	54,338	141,230	154,688	163,728
Tanzania	Shilling	N.A.	194	1,707	2,029	2,455
Thailand	Baht	2,422	5,267	44,098	52,226	64,500
Tunisia	Dinar	N.A.	1	3	4	N.A.
United Kingdom	Pound	14,509	34,250	152,200†	178,200†	207,800†
United States	Dollar	586,448	1,402,123	3,541,038	4,063,595	4,476,659
Venezuela	Bolivar	N.A.	9,074	59,927	70,563	83,419
Zambia	Kwacha	N.A.	N.A.	212	234	N.A.

*Group life excluded.

†Figures exclude pension business.

Note: In general, the figures represent life insurance in force on the lives of residents of the country with both domestic and foreign private companies. In a few cases, annuities are included; in other cases, the figures represent the total business of domestic companies of the country and/or insurance that has been issued by government organizations.

N.A. = Not available.

Source: American Council of Life Insurance.

Canada

Canadians bought some $93.0 billion of life insurance in 1982, an increase of $17.9 billion, or 24%, over 1981. Of the 1982 total, 62% was individually purchased insurance and 38% was group. By contrast, group insurance was 43% of purchases in 1972.

At the end of 1982, Canadians owned life insurance equaling 177% of their national income, compared with 166% in the United States.

Total life insurance in force in Canada at the end of 1982 was estimated to be $543.5 billion, a 9% increase during the year.

Over two-fifths of the life insurance in force in Canada is ordinary life. As a percentage of all life insurance, however, ordinary insurance in Canada has been declining in proportion to group life insurance in force. From year-end 1972 through 1982, group life rose from 50% to 58% of the total.

More than 13 million Canadians owned life insurance at the end of 1982. About three-quarters of their protection was with Canadian life companies. Much of the rest was with U.S. companies. Canadians also carry policies with British and other European life insurance companies.

Life insurance benefits paid during the year to Canadians amounted to $7.1 billion. Of this total, $5.8 billion, or 82%, was paid as living benefits to policyholders and annuitants.

The assets of the 81 Canadian incorporated life insurance companies are invested primarily in the private sector of the nation's economy, chiefly in corporate bonds and mortgages. Many Canadian life companies invest part of their funds in the United States, where they conduct over one-fifth of their business, and many U.S. companies similarly invest and do business in Canada.

Life Insurance in Canada

(Millions of Canadian Dollars)

	1981	1982
PURCHASES		
Ordinary	$ 45,907	$ 57,843
Group	29,146	35,141
Total	$ 75,053	$ 92,984
INSURANCE IN FORCE		
Ordinary	$199,861	$228,581
Group	297,165	314,917
Total	$497,026	$543,498
BENEFIT PAYMENTS		
Death Payments	$ 1,129	$ 1,300
Matured Endowments	77	75
Disability Payments	63	65
Annuity Payments	2,644	3,000
Surrender Values	802	1,100
Policy Dividends	671	1,000
Segregated Funds	220	530
Total	$ 5,606	$ 7,070
Premium Income	$ 8,341	$ 8,350

Note: Figures cover the business in Canadian, U.S., and other foreign companies. "Ordinary" in the "Purchases" and "Insurance In Force" categories includes industrial insurance. "Annuity Payments" include any death payments, disability payments and surrender values from annuities. Annuity dividends are included in "Policy Dividends." "Segregated Funds" are primarily annuity payments. The data for 1981 are revised and the data for 1982 are preliminary.

Source: Canadian Life and Health Insurance Association.

Distribution of Assets

Canadian Life Insurance Companies (Millions of Canadian Dollars)

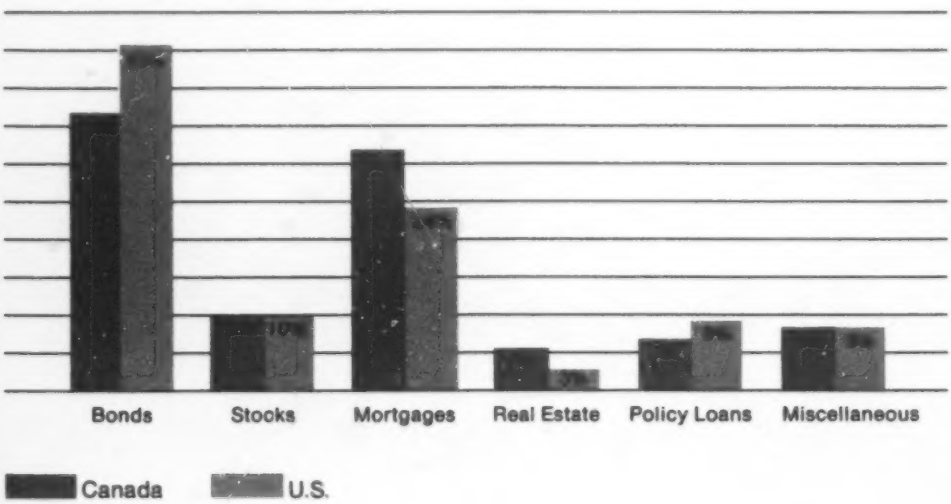
	1977	1978	1979	1980	1981	1982
Bonds	$11,124	$12,852	$14,589	$16,425	$18,400	$21,734
Stocks	3,414	4,141	4,757	5,857	6,180	5,764
Mortgages	11,215	12,626	14,477	16,511	17,533	18,954
Real Estate	1,675	1,830	2,036	2,343	2,848	3,424
Policy Loans	1,871	2,027	2,359	2,812	3,554	3,922
Miscellaneous Assets	1,320	1,727	1,961	1,863	3,306	4,599
Total	$30,619	$35,203	$40,179	$45,811	$51,821	$58,397

Note: Figures cover both Federally registered companies and provincial licensees. Assets do not include deferred premiums. These amounted to $391 million in 1982. The data for 1981 are revised and the data for 1982 are preliminary.

Source: Canadian Life and Health Insurance Association.

Distribution of Assets, 1982

Canadian and U.S. Life Insurance Companies



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STATE INSURANCE OFFICIALS

Alabama, Montgomery	W.G. Ward, Jr.	Commissioner of Insurance
Alaska, Juneau	Kenneth C. Moore	Director of Insurance
Arizona, Phoenix	J. Michael Low	Director of Insurance
Arkansas, Little Rock	Linda Garner	Insurance Commissioner
California, Los Angeles	Bruce A. Bunner	Insurance Commissioner
Colorado, Denver	J. Richard Barnes	Commissioner of Insurance
Connecticut, Hartford	Peter W. Gillies	Insurance Commissioner
Delaware, Dover	David H. Elliott	Insurance Commissioner
D.C., Washington	Margurite C. Stokes, Acting	Superintendent of Insurance
Florida, Tallahassee	Bill Gunter	Insurance Commissioner
Georgia, Atlanta	Johnnie L. Caldwell	Insurance Commissioner
Hawaii, Honolulu	Susan Kee-Young Park	Insurance Commissioner
Idaho, Boise	Trent M. Woods	Director of Insurance
Illinois, Chicago	James W. Schacht, Acting	Director of Insurance
Indiana, Indianapolis	Don H. Miller	Commissioner of Insurance
Iowa, Des Moines	Bruce W. Foudree	Commissioner of Insurance
Kansas, Topeka	Fletcher Bell	Commissioner of Insurance
Kentucky, Frankfort	Daniel D. Briscoe	Commissioner of Insurance
Louisiana, Baton Rouge	Sherman A. Bernard	Commissioner of Insurance
Maine, Augusta	Theodore T. Briggs	Superintendent of Insurance
Maryland, Baltimore	Edward J. Muhl	Insurance Commissioner
Massachusetts, Boston	Peter Hiam	Commissioner of Insurance
Michigan, Lansing	Nancy A. Baerwaldt	Insurance Commissioner
Minnesota, St. Paul	Reynaud Harp	Commissioner of Insurance
Mississippi, Jackson	George Dale	Commissioner of Insurance
Missouri, Jefferson City	C. Donald Ainsworth	Director of Insurance
Montana, Helena	E.V. "Sonny" Omholt	Commissioner of Insurance
Nebraska, Lincoln	Michael J. Dugan	Director of Insurance
Nevada, Carson City	Kevin Sullivan	Commissioner of Insurance
New Hampshire, Concord	Louis Bergeron	Insurance Commissioner
New Jersey, Trenton	Joseph F. Murphy	Commissioner of Insurance
New Mexico, Santa Fe	Vicente B. Jasso	Superintendent of Insurance
New York, New York	James P. Corcoran	Superintendent of Insurance
North Carolina, Raleigh	John R. Ingram	Commissioner of Insurance
North Dakota, Bismarck	J.O. "Bud" Wigen	Commissioner of Insurance
Ohio, Columbus	George Fabe	Superintendent of Insurance
Oklahoma, Oklahoma City	Gerald Grimes	Insurance Commissioner
Oregon, Salem	Josephine M. Driscoll	Commissioner of Insurance
Pennsylvania, Harrisburg	Michael L. Browne	Commissioner of Insurance
Rhode Island, Providence	Thomas J. Caldarone, Jr.	Insurance Commissioner
South Carolina, Columbia	Rogers T. Smith	Insurance Commissioner
South Dakota, Pierre	Susan Walker	Director of Insurance
Tennessee, Nashville	John C. Neff	Commissioner of Insurance
Texas, Austin	Tom Bond	Commissioner of Insurance
Utah, Salt Lake City	Roger C. Day	Commissioner of Insurance
Vermont, Montpelier	George A. Chaffee	Commissioner of Insurance
Virginia, Richmond	James M. Thomson	Commissioner of Insurance
Washington, Olympia	Dick Marquardt	Insurance Commissioner
West Virginia, Charleston	Richard G. Shaw	Insurance Commissioner
Wisconsin, Madison	Thomas P. Fox	Commissioner of Insurance
Wyoming, Cheyenne	John T. Langdon	Insurance Commissioner

MORTALITY TABLES

	Commissioners 1980 Standard Ordinary (1970-1975)				1983 Individual Annuity Table (1971-1976)*				United States Population (1969-1971)	
	Male		Female		Male		Female			
Age	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
0	4.18	70.83	2.89	75.83	—	—	—	—	20.02	70.75
1	1.07	70.13	.87	75.04	—	—	—	—	1.25	71.19
2	.99	69.20	.81	74.11	—	—	—	—	.86	70.28
3	.98	68.27	.79	73.17	—	—	—	—	.69	69.34
4	.95	67.34	.77	72.23	—	—	—	—	.57	68.39
5	.90	66.40	.76	71.28	.38	74.10	.19	79.36	.51	67.43
6	.86	65.46	.73	70.34	.35	73.12	.16	78.37	.46	66.46
7	.80	64.52	.72	69.39	.33	72.15	.13	77.39	.43	65.49
8	.76	63.57	.70	68.44	.35	71.17	.13	76.40	.39	64.52
9	.74	62.62	.69	67.48	.37	70.20	.14	75.41	.34	63.54
10	.73	61.66	.68	66.53	.38	69.22	.14	74.42	.31	62.57
11	.77	60.71	.69	65.58	.39	68.25	.15	73.43	.30	61.58
12	.85	59.75	.72	64.62	.41	67.28	.16	72.44	.35	60.60
13	.99	58.80	.75	63.67	.42	66.30	.17	71.45	.46	59.62
14	1.15	57.86	.80	62.71	.43	65.33	.18	70.46	.63	58.65
15	1.33	56.93	.85	61.76	.44	64.36	.19	69.47	.82	57.69
16	1.51	56.00	.90	60.82	.45	63.39	.20	68.49	1.01	56.73
17	1.67	55.09	.95	59.87	.46	62.42	.21	67.50	1.17	55.79
18	1.78	54.18	.98	58.93	.47	61.44	.23	66.51	1.28	54.86
19	1.86	53.27	1.02	57.98	.49	60.47	.24	65.53	1.34	53.93
20	1.90	52.37	1.05	57.04	.51	59.50	.26	64.55	1.40	53.00
21	1.91	51.47	1.07	56.10	.53	58.53	.28	63.56	1.47	52.07
22	1.89	50.57	1.09	55.16	.55	57.56	.29	62.58	1.52	51.15
23	1.86	49.66	1.11	54.22	.57	56.59	.31	61.60	1.53	50.22
24	1.82	48.75	1.14	53.28	.60	55.63	.33	60.62	1.51	49.30
25	1.77	47.84	1.16	52.34	.62	54.66	.35	59.64	1.47	48.37
26	1.73	46.93	1.19	51.40	.65	53.69	.37	58.66	1.43	47.44
27	1.71	46.01	1.22	50.46	.68	52.73	.39	57.68	1.42	46.51
28	1.70	45.09	1.26	49.52	.70	51.76	.41	56.70	1.44	45.58
29	1.71	44.16	1.30	48.59	.73	50.80	.42	55.72	1.49	44.64
30	1.73	43.24	1.35	47.65	.76	49.83	.44	54.75	1.55	43.71
31	1.78	42.31	1.40	46.71	.79	48.87	.46	53.77	1.63	42.77
32	1.83	41.38	1.45	45.78	.81	47.91	.48	52.80	1.72	41.84
33	1.91	40.46	1.50	44.84	.84	46.95	.50	51.82	1.83	40.92
34	2.00	39.54	1.58	43.91	.88	45.99	.52	50.85	1.95	39.99
35	2.11	38.61	1.65	42.98	.92	45.03	.55	49.87	2.09	39.07
36	2.24	37.69	1.76	42.05	.97	44.07	.57	48.90	2.25	38.15
37	2.40	36.78	1.89	41.12	1.03	43.11	.61	47.93	2.44	37.23
38	2.58	35.87	2.04	40.20	1.11	42.15	.65	46.96	2.66	36.32
39	2.79	34.96	2.22	39.28	1.22	41.20	.69	45.99	2.90	35.42
40	3.02	34.05	2.42	38.36	1.34	40.25	.74	45.02	3.14	34.52
41	3.29	33.16	2.64	37.46	1.49	39.30	.80	44.05	3.41	33.63
42	3.56	32.26	2.87	36.55	1.67	38.36	.87	43.09	3.70	32.74
43	3.87	31.38	3.09	35.66	1.89	37.43	.94	42.12	4.04	31.86
44	4.19	30.50	3.32	34.77	2.13	36.50	1.03	41.16	4.43	30.99
45	4.55	29.62	3.56	33.88	2.40	35.57	1.12	40.20	4.84	30.12
46	4.92	28.76	3.80	33.00	2.69	34.66	1.23	39.25	5.28	29.27
47	5.32	27.90	4.05	32.12	3.01	33.75	1.36	38.30	5.74	28.42
48	5.74	27.04	4.33	31.25	3.34	32.85	1.50	37.35	6.24	27.58
49	6.21	26.20	4.63	30.39	3.69	31.96	1.66	36.40	6.78	26.75
50	6.71	25.36	4.96	29.53	4.06	31.07	1.83	35.46	7.38	25.93
51	7.30	24.52	5.31	28.67	4.43	30.20	2.02	34.53	8.04	25.12
52	7.96	23.70	5.70	27.82	4.81	29.33	2.22	33.59	8.76	24.32
53	8.71	22.89	6.15	26.98	5.20	28.47	2.43	32.67	9.57	23.53
54	9.56	22.08	6.61	26.14	5.59	27.62	2.65	31.75	10.43	22.75
55	10.47	21.29	7.09	25.31	5.99	26.77	2.89	30.83	11.36	21.99
56	11.46	20.51	7.57	24.49	6.41	25.93	3.15	29.92	12.36	21.23
57	12.49	19.74	8.03	23.67	6.84	25.09	3.43	29.01	13.41	20.49
58	13.59	18.99	8.47	22.86	7.29	24.26	3.74	28.11	14.52	19.76
59	14.77	18.24	8.94	22.05	7.78	23.44	4.08	27.21	15.70	19.05

	Commissioners 1980 Standard Ordinary (1970-1975)				1983 Individual Annuity Table (1971-1976)*				United States Population (1969-1971)	
	Male		Female		Male		Female			
Age	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)	Deaths Per 1,000	Expectation of Life (Years)
60	16.08	17.51	9.47	21.25	8.34	22.62	4.47	26.32	16.95	18.34
61	17.54	16.79	10.13	20.44	8.98	21.80	4.91	25.44	18.29	17.65
62	19.19	16.08	10.96	19.65	9.74	20.99	5.41	24.56	19.74	16.97
63	21.06	15.38	12.02	18.86	10.63	20.20	5.99	23.69	21.33	16.30
64	23.14	14.70	13.25	18.08	11.66	19.41	6.63	22.83	23.06	15.65
65	25.42	14.04	14.59	17.32	12.85	18.63	7.34	21.98	24.95	15.00
66	27.85	13.39	16.00	16.57	14.20	17.87	8.09	21.14	26.99	14.38
67	30.44	12.76	17.43	15.83	15.72	17.12	8.89	20.31	29.18	13.76
68	33.19	12.14	18.84	15.10	17.41	16.38	9.73	19.49	31.52	13.16
69	36.17	11.54	20.36	14.38	19.30	15.66	10.65	18.67	34.00	12.57
70	39.51	10.96	22.11	13.67	21.37	14.96	11.70	17.87	36.61	12.00
71	43.30	10.39	24.23	12.97	23.65	14.28	12.91	17.07	39.43	11.43
72	47.65	9.84	26.87	12.28	26.13	13.61	14.32	16.29	42.66	10.88
73	52.64	9.30	30.11	11.60	28.84	12.96	15.98	15.52	46.44	10.34
74	58.19	8.79	33.93	10.95	31.79	12.33	17.91	14.76	50.75	9.82
75	64.19	8.31	38.24	10.32	35.05	11.72	20.13	14.02	55.52	9.32
76	70.53	7.84	42.97	9.71	38.63	11.13	22.65	13.30	60.60	8.84
77	77.12	7.40	48.04	9.12	42.59	10.56	25.51	12.60	65.96	8.38
78	83.90	6.97	53.45	8.55	46.95	10.00	28.72	11.91	71.53	7.93
79	91.05	6.57	59.35	8.01	51.76	9.47	32.33	11.25	77.41	7.51
80	98.84	6.18	65.99	7.48	57.03	8.96	36.40	10.61	83.94	7.10
81	107.48	5.80	73.60	6.98	62.79	8.47	40.98	9.99	91.22	6.70
82	117.25	5.44	82.40	6.49	69.08	8.01	46.12	9.40	98.92	6.32
83	128.26	5.09	92.53	6.03	75.91	7.57	51.89	8.83	106.95	5.96
84	140.25	4.77	103.81	5.59	83.23	7.15	58.34	8.28	115.48	5.62
85	152.95	4.46	116.10	5.18	90.99	6.75	65.52	7.77	125.61	5.28
86	166.09	4.18	129.29	4.80	99.12	6.37	73.49	7.28	137.48	4.97
87	179.55	3.91	143.32	4.43	107.58	6.02	82.32	6.81	149.79	4.68
88	193.27	3.66	158.18	4.09	116.32	5.69	92.02	6.36	161.58	4.42
89	207.29	3.41	173.94	3.77	125.39	5.37	102.49	5.98	172.92	4.18
90	221.77	3.18	190.75	3.45	134.89	5.07	113.61	5.60	185.02	3.94
91	236.98	2.94	208.87	3.15	144.87	4.78	125.23	5.26	198.88	3.73
92	253.45	2.70	228.81	2.85	155.43	4.50	137.22	4.94	213.63	3.53
93	272.11	2.44	251.51	2.55	166.63	4.24	149.46	4.64	228.70	3.35
94	295.90	2.17	279.31	2.24	178.54	3.99	161.83	4.37	243.36	3.19
95	329.96	1.87	317.32	1.91	191.21	3.75	174.23	4.12	257.45	3.06
96	384.55	1.54	375.74	1.56	204.72	3.51	186.54	3.88	269.59	2.95
97	480.20	1.20	474.97	1.21	219.12	3.29	198.65	3.65	280.24	2.85
98	657.98	.84	655.85	.84	234.74	3.07	211.10	3.44	289.77	2.76
99	1,000.00	.50	1,000.00	.50	251.89	2.86	224.45	3.22	298.69	2.69
100					270.91	2.66	239.22	3.01	306.96	2.62
101					292.11	2.46	255.95	2.80	314.61	2.56
102					315.83	2.26	275.20	2.59	321.67	2.51
103					342.38	2.08	297.50	2.38	328.17	2.46
104					372.09	1.90	323.39	2.18	334.14	2.41
105					405.28	1.73	353.41	1.98	339.60	2.37
106					442.28	1.57	388.11	1.79	344.60	2.34
107					483.41	1.41	428.02	1.60	349.17	2.30
108					528.99	1.27	473.69	1.43	353.33	2.27
109					579.35	1.13	525.66	1.26	357.12	2.24
110					634.81	1.01	584.46	1.11		
111					695.70	.89	650.65	.97		
112					762.34	.78	724.75	.83		
113					835.06	.70	807.32	.71		
114					914.17	.67	898.89	.60		
115					1,000.00	.50	1,000.00	.50		

Note: Mortality rates contained in the 1980 Commissioners Standard Ordinary Table were obtained from experience of 1970-1975, but contain an added element designed to generate life insurance reserves of a conservative nature in keeping with the long-term guarantees inherent in life insurance contracts. Premiums for life insurance policies, on the other hand, are based on assumptions that include expected mortality experience.

Mortality rates for the 1983 Individual Annuity Tables are, again, conservative as related to the actual and projected experience upon which they are based.

*Projected to 1983.

HISTORIC DATES

1759 The first life insurance company in the United States, "The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers," was established in Philadelphia by the Synod of the Presbyterian Church. This company, now Presbyterian Ministers' Fund, is the oldest life insurance company in continued existence in the world.

1789 Professor Edward Wigglesworth of Harvard prepared a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the U.S.

1794 The Insurance Company of North America was chartered as the first general insurance company to sell life insurance in America. In five years only six policies were issued and the company discontinued its life insurance business in 1804.

1812 Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated, the first corporation organized in America for the sole purpose of issuing life insurance policies and annuities. The first policy was issued in 1813. It discontinued issuing life policies in 1872.

1830 New York Life Insurance and Trust Company was started; notable as the first American life company to employ agents. This company later discontinued its life insurance business and was subsequently merged with the Bank of New York.

1835 A charter was granted New England Mutual Life Insurance Company of Boston, the first mutual company to be chartered in America. It did not actually begin business until December 1843.

1836 The Girard Life Insurance, Annuity and Trust Company of Philadelphia was established upon a new principle of granting policyholders participation in profits, although it was a stock company. The first policy dividends were allotted in 1844 as additions of insurance to policies in force three or more years. This company later became a trust company only.

1840 The legislature of New York State enacted a law that provided that the proceeds of a policy made out to a widow as beneficiary would be paid to her and were exempt from claims of creditors. This strengthened immeasurably the protective power of a life insurance policy.

1842 The Mutual Life Insurance Company of New York was chartered. The first policy was issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

1848 First policy loans were granted about this time.

1849 New York State passed the first general insurance law.

1851 New Hampshire established the first regulatory body to examine the affairs of insurance companies.

1853 Policy valuation tables, which had been worked on by Elizur Wright for nine years, were published.

1859 New York State established the first insurance department.

1861 Massachusetts was the first state to require nonforfeiture values as part of life policies.

1861 First war risk insurance written by life companies during Civil War.

1864 The Manhattan Life Insurance Company was the first American company to write an incontestable clause into a policy.

1868 American Experience Table of Mortality published as a part of New York law. Covering experience from 1843 to 1858, it remained the table most widely used by American companies until the 1940s.

1869 U.S. Supreme Court held insurance not to be a transaction in commerce, and affirmed the validity of state regulation of insurance.

1869 Earliest organization of life insurance agents was recorded in Chicago.

1871 First convention of State Insurance Commissioners was held in New York City.

1873 First weekly premium policy was issued in the United States.

1875 Industrial insurance agency system was introduced in the United States.

1880 Cash surrender values were first established by law in Massachusetts.

1905 Armstrong investigation of life insurance was made by New York State Legislature, which resulted in many changes in insurance laws.

1909 Standard provisions for life insurance policies were adopted in New York State.

1911 First group life insurance for employees was introduced.

1917 Life insurance for servicemen of World War I was offered by the government under War Risk Insurance Act; subsequently known as U.S. Government Life Insurance.

1918 American Men Ultimate Mortality Table was published, which covered experience from 1900 to 1915.

1928 First examinations were held for Chartered Life Underwriters, which resulted in awards of CLU designations to qualified life insurance personnel.

1935 Social Security Act was enacted. It was subsequently amended at various times to include benefits for survivors and dependents and for disabled workers and their dependents, to extend coverage as to employments covered, to lower minimum retirement age, to raise benefit levels, to revise contribution schedules, to increase earnings base, and, in 1965, to establish Medicare, a broad program of health insurance for people aged 65 or older.

1938 The 1937 Standard Annuity Mortality Table was published. It was based primarily on experience from 1932 to 1936.

1939 Temporary National Economic Committee began an investigation of the life insurance business.

1940 National Service Life Insurance Act, providing insurance for men and women in service in World War II, was adopted by Congress.

1941 Commissioners 1941 Standard Ordinary Table of Mortality, based on experience from 1930 to 1940, was published.

1944 U.S. Supreme Court held insurance to be commerce, and that when conducted across state lines, it is interstate commerce and therefore subject to Federal laws.

1945 McCarran-Ferguson Act declared that the regulation of insurance by the states is in the public interest and granted an exemption from the antitrust laws to the extent the business is regulated by state law.

1948 Legislation permitting "Standard Nonforfeiture and Valuation" methods of computation was effected in nearly all states.

1952 College Retirement Equities Fund (CREF) was established as the first variable annuity fund. In 1954, the Participating Annuity Life Insurance Company offered the first variable annuity contracts to the general public.

1954 Federal Employees' Group Life Insurance Act introduced, providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the United States government through private insurance companies.

1958 Commissioners 1958 Standard Ordinary Table of Mortality, based on experience from 1950 to 1954, was published.

1959 Arkansas was the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.

1965 Servicemen's Group Life Insurance Act was introduced providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.

1974 Employee Retirement Income Security Act of 1974 was signed into law. The primary purposes were to protect the benefits of participants in private plans, to assure reasonable vesting provisions, and to broaden the opportunity to set up plans for the self-employed and workers who have no private retirement plans.

1976 First individual variable life insurance policy was issued in the United States.

1977 Social Security Act was amended to increase wage base and tax rates in steps beginning in 1978 and to revise the benefit structure. The first "universal" life insurance policy was issued in the United States.

1980 The Commissioners 1980 Standard Ordinary Table of Mortality, based on experience from 1970 to 1975, was adopted by the National Association of Insurance Commissioners.

1981 Economic Recovery Tax Act of 1981 was signed into law. Among the provisions of the law are sections that allow all workers to claim tax deductions, within limits, for retirement savings, liberalize tax deductions for retirement savings, interest and dividend exclusions, and reduce or eliminate estate and gift taxes for most persons.

1982 Tax Equity and Fiscal Responsibility Act revised the life insurance company taxation formula (certain provisions only for the 1982 and 1983 tax years) and repealed the use of modified coinsurance in tax calculations; imposed a penalty tax on certain annuity withdrawals; placed limitations on pension plan benefits and imposed additional restrictions on certain plans.

1982 The 1983 Individual Annuity Table A was adopted by the National Association of Insurance Commissioners.

LIFE INSURANCE ORGANIZATIONS

COMPANY ASSOCIATIONS

American Council of Life Insurance: 1850 K Street, N.W., Washington, D.C. 20006; Telephone: 202-862-4000; Chairman of the Board, Robert A. Beck; President, Richard S. Schweiker. Represents the life insurance business in legislative and regulatory areas at the Federal, state and local levels of government. Provides the public with information about the purpose and uses of life insurance, maintains research facilities to record the performance of the business and measures attitudes of the public on issues relevant to the business.

Consumer Credit Insurance Association: 307 North Michigan Avenue, Chicago, Illinois 60601; Telephone: 312-726-9895; Chairman of the Board, George J. Clough, Jr.; President, James S. Valentine; Vice President, Don K. Miller. Serves as the official trade organization for insurers that underwrite consumer credit insurance in the areas of life, accident and health, and property insurance.

Life Insurance Marketing and Research Association: P.O. Box 208, Hartford, Connecticut 06141; Telephone: 203-677-0033. Chairman of the Board, Walter W. Deakins, CLU; President, Ernest E. Cragg, CLU, FLMI. Works to improve the efficiency of life insurance distribution through scientific management methods, conducts research, provides management educational services, consulting services, and prepares a wide range of publications.

Life Insurers Conference: 1004 North Thompson Street. Richmond, Virginia 23230; Telephone: 804-359-5006; Chairman, Robert I. Stewart; President, G. Mason Connell, Jr. Comprised of life insurance companies engaged to a large extent in the sale of home service life insurance.

Life Office Management Association: 100 Colony Square, Atlanta, Georgia 30361; Telephone: 404-892-7272; Chairman of the Board, E. Sydney Jackson, FSA, FCIA; President, Lynn G. Merritt. Engages in cooperative educational and research activities directed to the improvement of management operations in home and field offices. Conducts the widely-used FLMI (Fellow, Life Management Institute) Insurance Education Program.

National Association of Life Companies: Tower Place—Suite 1060, 3340 Peachtree Road, N.E., Atlanta, Georgia 30026; Telephone: 404-262-3737; Chairman of the Board, George R. Quist; Executive Vice President, S. Roy Woodall, Jr.; Assistant Vice President, Vera R. Hill. Consists primarily of small and medium-sized stock life and health insurance companies.

National Insurance Association: 2400 South Michigan Avenue, Chicago, Illinois 60616; Telephone: 312-842-5125; President, Patricia W. Shaw; Executive Director, Charles A. Davis. Represents companies which principally serve the life insurance needs of black families.

PROFESSIONAL ASSOCIATIONS

American Academy of Actuaries: 1835 K Street, N.W., Washington, D.C. 20006; and 208 South LaSalle Street, Chicago, Illinois 60604; Telephone: 202-223-8196, Washington, D.C.; 312-782-4204, Chicago. President, P. Adger Williams; Secretary, Carl R. Ohman; Executive Director, Stephen G. Kellison. An organization of qualified actuaries, the Academy's primary activities include liaison with Federal and state governments, relations with other professions, public information dissemination, and the development of standards of professional conduct and practice. Membership consists largely of members of the Casualty Actuarial Society, Conference of Actuaries in Public Practice, Society of Actuaries and enrolled actuaries under ERISA. Membership criteria include satisfaction of experience and education standards.

American Risk and Insurance Association: RHI Dept., Brooks Hall, The University of Georgia, Athens, Georgia 30602; Telephone: 404-542-4290; President, Dan R. Anderson, University of Wisconsin; Executive Director, Dr. Richard E. Johnson. A society of insurance educators and others interested in risk and insurance education and research.

American Society of Chartered Life Underwriters: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4300; President, Gary R. Froid, ChFC, CLU; Executive Vice President and Managing Director, John R. Driskill, CLU. An organization of individuals who have earned a professional designation in the field of financial planning and economic security. Its membership is organized into local chapters and comprises agents, company chief executives, insurance regulators, educators, attorneys, CPAs and bank trust officers.

American Society of Pension Actuaries: 1413 K Street, N.W., Fifth Floor, Washington, D.C. 20005; Telephone: 202-737-4360; President, Curtis D. Hamilton; Executive Director, Chester J. Salkind. A professional society dedicated to the advancement of the profession of the pension actuary and consultant. Offers an examination program for actuaries and consultants and represents the interests of its members before appropriate forums.

The Association of Life Insurance Counsel: President, A. Peter Quinn, Jr.; Secretary-Treasurer, Marianne Dowling, Mutual Life Insurance Company of New York, 1740 Broadway, New York, New York 10019; Telephone 212-708-2220. An organization of life insurance counsels. Seeks to increase knowledge of areas of law affecting life insurance companies.

The Association of Life Insurance Medical Directors of America: P.O. Box 7378, Philadelphia, Pennsylvania 19101; Telephone: 215-472-5000. President, Harold Kost, M.D.; Secretary, Frank T. Mansure, M.D. Medical directors of life insurance companies. Encourages the advancement of the science of medicine as applied to insurance.

Conference of Actuaries in Public Practice: 500 Park Boulevard, Itasca, Illinois 60143; Telephone: 312-773-8140; President, Richard C. Keating; Secretary, James F.A. Briggs. Membership composed of consulting actuaries and government actuaries.

Home Office Life Underwriters Association: President, LaVern W. Cain; Secretary, James L. Compere, Northwestern Mutual Life Insurance Company, 720 E. Wisconsin Avenue, Milwaukee, Wisconsin 53202; Telephone: 414-271-1444. An organization of home office underwriters of legal reserve life insurance companies. Offers an education program through the Academy of Life Underwriting designed specifically for professional home office life underwriters.

Institute of Home Office Underwriters: President, John B. Ensor; Secretary-Treasurer, Norman D. Luedtke, Lincoln Mutual Life Insurance Company, P.O. Box 82448, Lincoln, Nebraska 68501; Telephone: 402-423-7191. An organization of home office underwriters. Aims to increase the knowledge of underwriting principles through discussions, surveys and presentation of papers, and through the education program of the Academy of Life Underwriting.

Insurance Accounting and Systems Association: P.O. Box 8857, Durham, North Carolina 27707; Telephone: 919-683-2356; President, Edward P. Brunner; Secretary-Treasurer, Elaine S. Powell. An international organization to promote the study, research and development of modern techniques in insurance accounting, systems and statistics.

International Claim Association: President, Gerard J. Vyskocil; Secretary, William F. Meyer, Western and Southern Life Insurance Company, 400 Broadway, Cincinnati, Ohio 45202; Telephone: 513-629-1475. Comprised of officers and employees of life and health insurance companies who handle the claims function for those companies.

Life Insurance Advertisers Association: 900 Des Moines Street, Suite 200, Des Moines, Iowa 50316; Telephone: 515-266-2189; President, Richard A. Sobel; Secretary, Peter J. Bruton. An organization of persons interested in life insurance advertising, sales promotion, public and policyholder relations and company communications. Conducts workshops, distributes case histories describing specific activities of member companies and makes awards for outstanding materials.

The Life Underwriter Training Council: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-393-5240; Chairman of the Board, Norman G. Levine, CLU, ChFC; President, William A. Klauber, CLU. An organization which provides sales training in life and health insurance at intermediate levels. Members are agents taking part in sales training courses sponsored by local life underwriter associations.

Million Dollar Round Table: 2340 River Road, Des Plaines, Illinois 60018; Telephone: 312-298-1120; President, Paul R. Buckley, CLU; Executive Vice President, Roderick L. Geer, CLU. Composed of life insurance agents who consistently sell at least $2.25 million face amount of life insurance annually and maintain membership in the National Association of Life Underwriters.

National Association of Life Underwriters: 1922 F Street, N.W., Washington, D.C. 20006; Telephone: 202-331-6000; President, Rice E. Brown, CLU; Executive Vice President, Jack E. Bobo, CLU, FLMI. An organization working through local groups of agents, which sponsors sales congresses and seminars, promotes high ethical standards, participates in community service projects and supports legislation in the interest of the insuring public and the agency system.

Society of Actuaries: 500 Park Boulevard, Itasca, Illinois 60143; Telephone: 312-773-3010; President, Barbara J. Lautzenheiser; Executive Director, John E. O'Connor, Jr. Organization of individuals trained in the application of mathematical probabilities to the design of insurance and pension programs. Sponsors examinations leading to designation of Fellow or Associate in Society.

OTHER ORGANIZATIONS

The American College: 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010; Telephone: 215-896-4500; Chairman of the Board, Dr. John T. Fey; President, Edward G. Jordan, CLU. Provides educational programs through the S.S. Huebner School. Offers studies leading to the award of the Chartered Life Underwriter and Chartered Financial Consultant diplomas and professional designations, fosters continued educational growth through its School of Advanced Career Studies, and grants the degree of Master of Science in Financial Services through the Graduate School of Financial Sciences. Accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools, and the Master of Science in Management through the Richard D. Irwin Graduate School of Management.

S.S. Huebner Foundation for Insurance Education: Suite 1400, SHDH/CC, University of Pennsylvania, Philadelphia, Pennsylvania 19104; Telephone: 215-898-7621; Chairman of the Board of Trustees, Ian M. Rolland; Chairman of the Administrative Board and Executive Director, Dr. Dan M. McGill. Makes fellowship grants for doctoral study and publishes research studies in the field of insurance.

Medical Information Bureau: P.O. Box 801, Boston, Massachusetts 02103; Telephone: 617-329-4500; Chairman of the Board, Robert W. Blevins; President, Neil M. Day. A nonprofit association of more than 700 member life insurance companies founded by medical directors providing a central information exchange. With the applicant's written consent, statements about health or risk activities can be checked with the Medical Information Bureau to alert insurers to inaccuracies, omissions and willful attempts at fraud.

National Association of Insurance Commissioners: 1125 Grand, Kansas City, Missouri 64106; Telephone: 816-842-3600; President, Honorable Roger C. Day; Executive Vice President, E. Benjamin Nelson. An organization of state officials supervising insurance, which promotes uniformity of legislation and regulation affecting insurance.

National Fraternal Congress of America: 230 West Monroe Street, Chicago, Illinois 60606; Telephone: 312-782-3446; President, Edgar J. Martel; Executive Vice President, Raymond A. Klee; Secretary-Treasurer, Jonni L. Dempsey. A federation of fraternal benefit societies writing life, accident and health insurance.

GLOSSARY

A

Accidental death benefit. A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as "double indemnity."

Actuary. A person professionally trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance—such as the calculation of premiums, reserves and other values.

Adjustable life insurance. A type of insurance that allows the policyholder to change the plan of insurance, raise or lower the face amount of the policy, increase or decrease the premium and lengthen or shorten the protection period.

Agent. A sales and service representative of an insurance company. Life insurance agents may also be called life underwriters or field underwriters.

Annuitant. The person during whose life an annuity is payable, usually the person to receive the annuity.

Annuity. A contract that provides a periodic income at regular intervals for a specified period of time, such as for a number of years or for life.

Annuity certain. A contract that provides an income for a specified number of years, regardless of life or death.

Annuity consideration. The payment, or one of the regular periodic payments, an annuitant makes for an annuity.

Application. A statement of information made by a person applying for life insurance. It helps the life insurance company assess the acceptability of risk.

Assignment. The legal transfer of one person's interest in an insurance policy to another person.

B

Beneficiary. The person named in the policy to receive the insurance proceeds at the death of the insured.

Broker. A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and for several companies.

Business life insurance. Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.

C

Cash surrender value. The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Certificate. A statement issued to individuals insured under a group policy, setting forth the essential provisions relating to their coverage.

Claim. Notification to an insurance company that payment of an amount is due under the terms of a policy.

Convertible term insurance. Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.

Credit life insurance. Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase, or other obligation, in case of death.

D

Declination. The rejection by a life insurance company of an application for life insurance, usually for reasons of the health or occupation of the applicant.

Deferred annuity. An annuity providing for the income payments to begin at some future date.

Deferred group annuity. A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total amount received by the member at retirement being the sum of these deferred annuities.

Deposit administration group annuity. A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.

Deposit term insurance. A form of term insurance, not really involving a "deposit," in which the first-year premium is larger than subsequent premiums. Typically, a partial endowment is paid at the end of the term period. In many cases the partial endowment can be applied toward the purchase of a new term policy or, perhaps, a whole life policy.

Disability benefit. A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policyholder becomes totally and permanently disabled.

Dividend. A return of part of the premium on participating insurance to reflect the difference between the premium charged and the combination of actual mortality, expense and investment experience. Such premiums are calculated to provide some margin over the anticipated cost of the insurance protection.

Dividend addition. An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.

E

Endowment. Life insurance payable to the policyholder if living, on the maturity date stated in the policy, or to a beneficiary if the insured dies prior to that date.

Expectation of life. The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.

Extended term insurance. A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.

F

Face amount. The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions, or acquired through the application of policy dividends.

Family income policy. A life insurance policy, combining whole life and decreasing term insurance. The beneficiary receives income payments to the end of a specified period if the insured dies prior to the end of the period plus the face amount of the policy — either at the end of the period or at the death of the insured.

Family policy. A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and smaller amounts of term insurance on the other spouse and children, including those born after the policy is issued.

Flexible premium policy or annuity. A life insurance policy or annuity under which the policyholder or contractholder may vary the amounts or timing of premium payments.

Fraternal life insurance. Life insurance provided by fraternal orders or societies to their members.

G

Geographic divisions (in the United States)

NORTHEAST
- New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Middle Atlantic: New Jersey, New York, Pennsylvania

NORTH CENTRAL
- East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin
- West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

SOUTH
- South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
- East South Central: Alabama, Kentucky, Mississippi, Tennessee
- West South Central: Arkansas, Louisiana, Oklahoma, Texas

WEST
Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
Pacific: Alaska, California, Hawaii, Oregon, Washington.

Grace period. A period (usually 30 or 31 days) following the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

Group annuity. A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.

Group life insurance. Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.

I

Individual policy pension trust. A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policies usually provide both life insurance and retirement benefits.

Industrial life insurance. Life insurance issued in small amounts, usually less than $1,000, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company. Sometimes referred to as debit insurance.

Insurability. Acceptability to the company of an applicant for insurance.

Insurance examiner. The representative of a state insurance department assigned to participate in the official audit and examination of the affairs of an insurance company.

Insured or insured life. The person on whose life the policy is issued.

L

Lapsed policy. A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.

Legal reserve life insurance company. A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.

Level premium life insurance. Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is to be earned, serve to balance out the underpayments of the later years.

Life annuity. A contract that provides an income for life.

Life expectancy. The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.

Life insurance in force. The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.

Limited payment life insurance. Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.

M

Master policy. A policy that is issued to an employer or trustee, establishing a group insurance plan for designated members of an eligible group.

Mortality table. A statistical table showing the death rate at each age, usually expressed as so many per thousand.

Mutual life insurance company. A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies, in general, issue participating insurance.

N

Nonforfeiture option. One of the choices available if the policyholder discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.

Nonmedical limit. The maximum face value of a policy that a given company will issue without the applicant taking a medical examination.

Nonparticipating policy. A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note should be taken that premiums for nonparticipating policies are usually lower than for comparable participating policies. Note should also be taken that some nonparticipating policies have both a maximum premium and a current lower premium. The current premium reflects anticipated experience that is more favorable than the company is willing to guarantee, and it may be changed from time to time for the entire block of business to which the policy belongs. (See also: *Participating policy)*

O

Ordinary life insurance. Life insurance usually issued in amounts of $1,000 or more with premiums payable on an annual, semiannual, quarterly or monthly basis.

P

Paid-up insurance. Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a nonforfeiture option.

Participating policy. A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus which its Board of Directors determines is not needed at the end of the business year. Such a distribution serves to reduce the premium the policyholder had paid. (See also: *Policy dividend; Nonparticipating policy)*

Permanent life insurance. A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.

Policy. The printed legal document stating the terms of the insurance contract that is issued to the policyholder by the company.

Policy dividend. A refund of part of the premium on a participating life insurance policy reflecting the difference between the premium charged and actual experience.

Policy loan. A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of a policy.

Policy reserves. The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.

Policyholder. The person who owns a life insurance policy. This is usually the insured person, but it may also be a relative of the insured, a partnership or a corporation.

Premium. The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy.

Premium loan. A policy loan made for the purpose of paying premiums.

R

Rated policy. Sometimes called an "extra-risk" policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, an insured has impaired health or a hazardous occupation.

Reduced paid-up insurance. A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.

Renewable term insurance. Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.

Reserve. The amount required to be carried as a liability in the financial statement of an insurer, to provide for future commitments under policies outstanding.

Rider. A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.

Risk classification. The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals insured (e.g., age, occupation, sex, state of health) and then applies the resulting rules to individual applications. (See: *Underwriting*)

S

Separate account. An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.

Settlement options. The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid. (See also: *Supplementary contracts*)

Stock life insurance company. A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies, in general, issue nonparticipating insurance, but may also issue participating insurance.

Straight life insurance. Whole life insurance on which premiums are payable for life.

Supplementary contract. An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.

T

Term insurance. Life insurance payable to a beneficiary only when an insured dies within a specified period.

U

Underwriting. The process by which a life insurance company determines whether or not it can accept an application for life insurance, and if so, on what basis.

Universal life insurance. A flexible premium life insurance policy under which the policyholder may change the death benefit from time to time (with satisfactory evidence of insurability for increases) and vary the amout or timing of premium payments. Premiums (less expense charges) are credited to a policy account from which mortality charges are deducted and to which interest is credited at rates which may change from time to time.

V

Variable annuity. An annuity contract in which the amount of each periodic income payment may fluctuate. The fluctuation may be related to securities market values, a cost of living index, or some other variable factor.

Variable life insurance. Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. The amount of death benefit payable would, under variable life policies that have been proposed, never be less than the initial death benefit payable under the policy.

W

Waiver of premium. A provision that under certain conditions an insurance policy will be kept in full force by the company without further payment of premiums. It is used most often in the event of total and permanent disability.

Whole life insurance. Life insurance payable to a beneficiary at the death of the insured whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).

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